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COMMITTEE ON FINANCE
UNITED STATES SENATE

ROBERT J. DOLE, *Chairman*

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SUMMARY: IMPACT OF CONGRESSIONAL BUDGET ACT ON FINANCE COMMITTEE

The Congressional Budget Act of 1974 (titles I–IX of Public Law 93–344), provides the mechanisms and procedures for Congress to establish its own annual Federal budget and to consider spending, revenue, and debt limit legislation in the context of that budget. The provisions of the act have a number of effects on the consideration of legislation handled by the Committee on Finance.

The major provisions affecting the Finance Committee are the following:

1. By March 15 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the committee's views and estimates with respect to revenues and the debt limit. By request of the Budget Committee this date was pushed up to March 8 for this year. (Last year's report appears in appendix A of this pamphlet.)

2. Certain kinds of legislation have to be handled before specific dates. Revenue and debt limit legislation for the upcoming fiscal year, and legislation increasing expenditures in such areas as social security and welfare, cannot be considered by the Senate before May 15. However, procedures are provided for waiving these restrictions, ordinarily by obtaining Budget Committee approval of a resolution permitting immediate Senate consideration. Authorizing legislation must be reported before May 15.

3. If the Finance Committee reports legislation affecting welfare, medicaid, social services, and other non-trust-fund entitlement programs, and it exceeds the amount budgeted in the most recent concurrent budget resolution, the legislation is to be referred to the Appropriations Committee for 15 days.

4. By May 15, Congress completes action on a first concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. While the amounts shown in this first resolution are not binding in the sense that they can subject a bill to point of order, they are intended to serve as overall guidelines in the consideration of revenue and spending legislation.

5. In September of each year, the Congress debates and adopts a concurrent resolution setting appropriate spending, revenue, and debt limit levels for the coming fiscal year. The resolution can direct the Finance Committee to report legislation raising taxes or cutting back on spending programs within the committee's jurisdiction. The overall spending and revenue totals in the second resolution are binding.

CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 (PUBLIC LAW 93-344)

1. Overall View

OUTLINE OF CONGRESSIONAL BUDGET PROCESS UNDER PUBLIC LAW 93-344

On April 15 of each year, the Budget Committees of the House and Senate report to their respective Houses a concurrent resolution which is, in effect, a congressional budget document setting forth appropriate levels for spending, revenues and public debt for the coming fiscal year. The spending levels are broken down into functional categories (such as "health," "income security," "national defense"). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment. When agreed to by House and Senate (by May 15), the resolution represents congressional judgment of the appropriate fiscal situation for the coming year, although the amounts set forth in it are not otherwise binding.

After the May 15 adoption of the concurrent resolution, action on spending and revenue bills proceeds through early September. In the first half of September, a second concurrent resolution on the budget is considered by the Congress, which revises or reaffirms the earlier resolution and which can direct the appropriate committees to report legislation changing spending, revenue, or debt limit levels (or any combination of the three). Upon adoption of the resolution, committees directed to do so are to report the legislation called for by the resolution, and this legislation is then debated by Congress as part of a "reconciliation bill." Public Law 93-344 calls for action on this reconciliation bill to be completed by September 25, 5 days before the start of the new Federal fiscal year which will run from October 1 to September 30.

WAIVER OF RULES REGARDING BUDGET PROCEDURE

All the rules applicable to Senate procedures under the Congressional Budget Act can be suspended by a majority vote of the Senate. In addition, the act includes a special waiver procedure in connection with the provisions requiring that authorization bills not be acted on after May 15 and that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before May 15. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee which would have 10 days in which to consider and make its

recommendations with respect to the waiver. Once the resolution is approved by the Budget Committee (or after 10 days in any case), the resolution of waiver would be voted upon by the Senate, and, if it is approved, the Senate could proceed to consider the legislation.

2. Impact of Public Law 93–344 on Finance Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the first concurrent resolution on the budget, each committee is required to make a report to the Budget Committee estimating the amount of additional Federal spending during the coming fiscal year which will result from legislation under the committee's jurisdiction. By statute this report is due no later than March 15. In recent years, the Budget Committee has sent letters to each committee requesting that views also be provided with respect to the 5-year budgetary outlook. The date by which the Budget Committee must report the First Budget Resolution was pushed up 15 days this year. As a result, the Budget Committee has asked the Finance Committee for its report by March 8.

Report after adoption of concurrent budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction (or among its subcommittees). These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution.

Limitation on consideration of spending bills.—The Congressional Budget Act provides that bills involving entitlement programs (such as welfare or medicaid) and bills directly increasing budget authority (such as social security or unemployment insurance) may not be considered in the Senate prior to the May 15 adoption of the first concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. The act also requires that action on legislation of this type be completed by the seventh day after Labor Day. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

Deadline for reporting authorizing legislation.—Legislation which authorizes appropriations (but does not necessarily require them) has to be reported by May 15 preceding the fiscal year for which the

appropriations are authorized. (The act includes a procedure under which this deadline may be waived by Senate resolution; the rule may also be suspended by a majority vote of the Senate.) The Committee on Finance has jurisdiction over some programs which fall in this category, such as grants to States for child welfare services and for maternal and child health. However, if such authorizations are included in social security trust fund bills (which may not be reported prior to May 15), this provision does not apply.

Impact of concurrent budget resolutions on legislation.—The first concurrent resolution, which is to be passed about May 15, sets targets for spending in various areas. A second concurrent resolution is to be passed in mid-September, and this resolution not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report measures to rescind previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Finance, this may include a requirement that the committee report legislation to defer or reduce benefits under entitlement programs including both trust fund programs (such as unemployment insurance or social security) and non-trust-fund programs (such as welfare, social services or medicaid).

After the beginning of a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution passed just before the beginning of that year to be exceeded. In the case of the Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new concurrent resolution could, however, be passed to authorize such additional spending, or the rule could be suspended by a majority vote of the Senate.)

While the budget totals included in the first resolution are in the nature of targets and are not strictly mandatory, they tend to establish fairly firmly the guidelines within which the Congress considers legislation affecting revenues and spending. Thus, if unrealistic objectives are used in setting first resolution totals, committees may subsequently find their ability to act on desired legislation impaired.

Appropriations Committee review of entitlement bills.—Legislation in such areas as supplemental security income, welfare, social services, or medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriation acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is

reported by the substantive committee, if its enactment would exceed the amount provided for in the most recent budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending the general revenue sharing program to the extent that such legislation included an exemption from that requirement.

In the past, refundable tax credits were treated for purposes of the Congressional Budget Process as revenue reductions. Under revised procedures adopted in 1978, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended in 1978 so as to require annual appropriations for this purpose. The text of the provision reads as follows:

> "No disbursement may be made from the appropriation to the Treasury Department entitled 'Bureau of Internal Revenue Refunding Internal-Revenue Collections' except (a) refunds due from any credit provision of the Internal Revenue Code enacted prior to January 1, 1978.". (Sec. 304, P.L. 95-355.)

Report on spending legislation.—The Congressional Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent concurrent budget resolution and showing the extent to which the legislation provides financial aid to States and localities. In addition, the report is required, to the extent practicable, to provide a projection for five fiscal years of the spending which will result from the legislation.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The March 15 annual report to the Budget Committee (due March 8 this year) which is described above also must, in the case of the Finance Committee, present its views and estimates of the committee with regard to revenues and the debt limit.

No revenue legislation prior to May 15.—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of the first concurrent resolution on the budget (about May 15). This rule would not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

The exact wording of this provision of the Budget Act is not entirely clear. In 1978, the Senate Budget Committee adopted the position that this restriction required that there be no increase or decrease in revenues to become effective in the next fiscal year for which no budget resolution had been adopted. In other words, under this interpretation, there would always be one "closed year" for which no revenue change could be considered. Consequently, a point of order was raised during the consideration of the 1978 tax-cut bill (H.R. 13511) against an amendment by Senator Roth on the grounds that it provided for a revenue change effective in fiscal year 1980. (The first budget resolution for fiscal year 1980 would not have been adopted until approximately May 15, 1979.) The position of the Finance Committee was that this restriction in the Budget Act only applied from the beginning of the calendar year, when the process of developing the fiscal 1980 budget resolution has begun. Once that resolution has been approved, revenue changes may be considered throughout the remainder of the calendar year which would be effective for the fiscal year to which the resolution applies and for any future fiscal year.

The point of order raised by the Budget Committee was sustained by the chair, but the ruling of the chair was overturned by the Senate on a vote of 38 to 48. This occurred on October 5, 1978.

Impact of budget resolution.—As with spending measures, the first concurrent resolution adopted in mid-May sets targets with respect to revenue and debt limit legislation, and the second concurrent resolution in September may direct the Committee on Finance to report legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determines to be appropriate. Such legislation would have to be reported in time to be included in the reconciliation bill which would be acted upon before the October 1 start of the fiscal year. Once a second resolution on the budget is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the level specified in the budget resolution would be subject to a point of order. If the second budget resolution sets a revenue target which exactly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having nearly negligible revenue impacts can be rejected on a

point of order. As indicated above in describing the impact of the resolution on spending legislation, even the "nonmandatory" first resolution tends to be given great weight in the actual consideration of legislation. Thus, if the first resolution includes unrealistic revenue goals, the committee may face difficulties in the consideration of any revenue legislation.

Required report on tax expenditures.—The Congressional Budget Act defines the term "tax expenditures" to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures include information as to how such legislation will affect the level of tax expenditures under existing law. The report will also have to include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five fiscal years.

CHARTS AND DESCRIPTION

Chart 1

Report to Budget Committee

- Views and estimates of Finance Committee on:
  - Expenditures
  - Revenues
  - Tax expenditures
  - Public debt
- Relating both to existing law and proposals to change existing law

Chart 1

Report to Budget Committee

Under the Congressional Budget Act of 1974, the Committee on the Budget is required by April 15 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a congressional budget the act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by March 15 of each year. This year the Budget Committee has asked that the report be sent by March 8.

In the case of the Committee on Finance, the report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 3, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal year 1983 (October 1982 to September 1983). The Budget Committee has requested that committees also include their views on the 5-year budgetary outlook. The report sent to the Budget Committee last year is reprinted in Appendix A of this document.

Section 301(c) of the Congressional Budget Act which deals with the March 15 report to the Budget Committee is included in the excerpts from that act which appear at the end of this pamphlet as Appendix B.

Chart 2

Economic Assumptions

(dollars in billions)

	1981	1982	1983	1984	1985	1986
Gross National Product:						
Current dollars	$2,922	$3,160	$3,524	$3,883	$4,258	$4,651
Real (1972 dollars)	1,510	1,513	1,591	1,670	1,750	1,827
Percent change in real GNP	2.0%	.2%	5.2%	5.0%	4.7%	4.4%
Personal income	$2,404	$2,641	$2,887	$3,121	$3,411	$3,723
Wages and salaries	1,483	1,605	1,747	1,887	2,065	2,256
Corporate profits	230	215	260	314	330	317
Change in CPI, year over year	8.9%	7.3%	6.0%	4.6%	4.8%	4.6%
Unemployment rate	7.6%	8.9%	7.9%	7.1%	6.4%	5.8%
Treasury 91-day T-bill rate	14.1%	11.7%	10.5%	9.5%	8.5%	7.0%

Chart 2

Economic Assumptions

The March 15 report to the Budget Committee that is required by the Congressional Budget Act of 1974 represents the Finance Committee's views as to revenues, expenditures and other budgetary matters for the coming fiscal year both under existing law and under any anticipated changes. The level of these items, however, is affected not only by legislation but also by various economic factors concerning which there reasonably may be differences of opinion. These differences can reflect divergent viewpoints as to how the economy will operate and also divergent viewpoints as to the type of legislation that may be enacted and its effect on the operations of the economy. Different programs are particularly sensitive to different aspects of the economy. For example, expenditures under social security are sensitive to the Consumer Price Index since that program includes an automatic cost-of-living increase provision. The unemployment insurance program does not incorporate such a provision but is, of course, particularly sensitive to the amount of unemployment. Revenues, similarly, are strongly affected by the level of personal income and of corporate profits, and, in the case of payroll tax revenues, by wages and salaries. Personal income tax receipts also are affected by inflation, as rising nominal wages increase taxable income. (Of course, after 1984, tax rates will be indexed which will lower the amount of additional revenue generated by rising prices and wages.) In addition, trends in interest rates and the rate of inflation affect the cost of interest on the public debt.

This chart presents a selection of the most significant economic indicators as estimated in the President's budget.

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Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

- Social security cash benefits (see charts 4 and 5):
  - Old-age and survivors insurance (OASI)
  - Disability insurance (DI)
- Unemployment compensation (see chart 6)
- Welfare programs for families (see chart 7):
  - Aid to families with dependent children
  - Work incentive program
  - Child support enforcement
- Social services (see chart 8)
- Supplemental security income for the aged, blind, and disabled (see chart 9)
- Health programs (see charts 10–12):
  - Medicare
  - Medicaid
  - Maternal and child health
- Revenue sharing (see chart 13)
- Interest on the public debt (see chart 13)

Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

This chart lists the major programs involving an expenditure of Federal funds which come within the legislative jurisdiction of the Committee on Finance. Each of these programs is covered in more detail in the following charts. Interest on the public debt is included as an expenditure program since it does constitute a significant part of the Federal expenditures budget even though the level of expenditure in this category is not subject to legislative control by the committee in the same sense as expenditures under the other programs listed.

Under a revision in the Congressional budget procedures adopted in the 95th Congress, refundable tax credits are now treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. Because such provisions are in fact considered by the committee and the Congress in the context of revenue legislation, however, they are discussed in this document at the same point as other revenue items. The refundable tax credit having significant budgetary impact in fiscal 1983 is the earned income tax credit.

Chart 4

Social Security Cash Benefits Trust Funds (OASDI)

(dollars in billions)

Present Law:[1]	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
Income[2]	$152.1	$163.5	$176.4	$199.2	$221.2	$240.6
Outgo	156.6	171.7	186.2	200.2	214.5	230.1
Increase or decrease in trust funds	−4.5	−8.1	−9.8	−1.0	+6.7	+10.5

[1] "Present law" reflects the economic assumptions incorporated in President Reagan's FY 1983 Budget, but does not include the direct impact of proposed social security legislation. An interfund transfer to the OASI trust fund (authorized under P. L. 97–123) in the amount of $6.4 billion is assumed in this table to be made from the DI trust fund during FY 1983.

[2] Income to the trust funds is treated as "budget authority" under the accounting system used in the budget process.

Source: SSA, Office of the Actuaries.

Chart 4

Social Security Cash Benefit Trust Funds—Financial Status for Fiscal Years 1983–1987

The social security payroll tax supports the basic social security cash benefit programs for individuals who work in employment covered by that tax and their families. The old-age and survivors insurance (OASI) program provides retirement benefits for insured workers at age 62 and the disability insurance (DI) program provides benefits for insured workers of any age who are unable to engage in substantial work activity. Benefits also are provided to the surviving spouse and children of deceased workers and to the dependent spouse and children of disabled or retired workers.

In fiscal year 1983, 20.9 million people age 62 or over, and 3.6 million of their dependents, will be eligible for social security retirement benefits. About 7.5 million people will receive benefits because they are survivors of deceased workers, and 4.3 million more people will receive benefits because they are disabled workers or dependents of disabled workers. In total, approximately 36 million people will be receiving some type of social security cash benefits.

Several changes in the OASDI programs were enacted last year as part of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97–35) and by the Social Security Amendments of 1981 (P.L. 97–123). Among these were:

—elimination of benefits for new child beneficiaries entering post-secondary school after April 1982 and phase-out of benefits to current student beneficiaries over the next 3 years;

—limitation of the payment of lump-sum death benefits to surviving spouses or children entitled to monthly benefits and not directly to estates or funeral homes;

—offset of DI benefits to take account of receipt of other public disability payments when the total of such disability benefits plus DI exceeds 80 percent of a worker's pre-disability earnings;

—elimination of the minimum benefit for future beneficiaries;

—making sick pay subject to social security taxes until the individual has been off work 6 months;

—termination of benefits for a parent caring for a child beneficiary when the youngest child reaches age 16; and

—one year postponement of the reduction to age 70 of the point at which benefits are payable without regard to earnings.

In addition, Public Law 97–123 authorizes interfund borrowing on a temporary basis. After consulting with the other trustees, the Secretary of the Treasury is authorized to transfer funds among the OASI, DI, and HI trust funds until December 31, 1982. Such transfers are to be made on a loan basis, repayable with interest. The conference report further states that loans may not be made to a trust fund to insure the payment of benefits for a period in excess of 6 months, or beyond June 1983.

Despite these changes, the social security system faces significant financial problems. Weak economic growth has constrained payroll tax collections while inflation has resulted in relatively large increases in indexed benefits. Trust fund assets relative to cash benefit program outlays have been seriously eroded because aggregate outgo has exceeded income in the last 6 years.

Under the President's fiscal year 1983 budget assumptions, the present law reserves of the OASI trust fund, including the supplements permitted under the interfund borrowing authority, are insufficient to finance full OASI benefit payments beyond June 1983. If Congress reauthorizes interfund borrowing, reserves of OASI and the other trust funds, together, are projected to fall below the potential danger level of 13 percent of 1 year's outgo sometime late in fiscal year 1984 and remain there throughout the 5-year budgeting period. (See Table 1.) Social Security actuaries consider 13 percent the critical point because even a small error in the estimates or unforeseen flluctuations in the flow of income and outgo may cause reserves to fall below 1 month's benefits at some point during the year. The actuaries point out that a *minimum* 4 to 5 percentage-point spread between the potential danger level (13 percent) and the actual level of insolvency (9 percent) is needed to avoid cash-flow problems.

According to the Office of the Actuary of the Social Security Administration: "There is virtually no margin of safety in these projections. In other words, if actual future economic and demographic conditions are even slightly less favorable than those assumed in the budget, scheduled OASDI and HI tax income would be insufficient and tax rate reallocation or extended interfund borrowing could only postpone temporarily the financing problems of the trust funds."

The Congressional Budget Office (CBO) fiscal year 1983 "base-line" budget projections are even more pessimistic. They show the combined reserves of the three trust funds falling below the level required for solvency in fiscal year 1984 and remaining below that level throughout the remainder of the 5-year budgeting period. Under these assumptions, insolvency could even result before the end of 1983.

The following table compares the combined OASDHI reserve ratios for fiscal years 1982–87 projected by the Administration and CBO.

TABLE 1.—ASSETS OF THE COMBINED OASDHI PROGRAMS AT THE BEGINNING OF THE YEAR AS A PERCENT TO OUTGO DURING THE YEAR [1]

[In percent]

	Fiscal year—				
	1983	1984	1985	1986	1987
Administration	21	17	12	11	12
CBO base-line	19	13	8	5	5
CBO pessimistic	19	13	5	−.2	−5
	Calendar year [2]				
	1983	1984	1985	1986	1987
Administration	18	14	8	8	9

[1] Assumes interfund borrowing is reauthorized.
[2] CBO projections not available on calendar year basis. They would be approximately 4 percentage points lower than the fiscal year projections.

Source: SSA and CBO.

Shown below are the projections of the operations of the individual and combined trust funds under the Administration's budget assumptions and CBO's "base-line" assumptions.

TABLE 2.—ESTIMATED OPERATIONS OF THE OASI, DI, AND HI TRUST FUNDS BASED UPON THE PRESIDENT'S FY 1983 BUDGET ASSUMPTIONS

[Dollars in billions]

	Fiscal year—					
	1982	1983	1984	1985	1986	1987
Old Age and Survivors Insurance						
Outgo	138.2	152.7	166.6	179.8	193.1	207.5
Income	130.1	144.1	147.7	163.7	179.7	194.3
Year-end balance	15.8	7.2	−11.8	−27.9	−41.3	−54.5
Start-of-year balance (as percent of outgo)	17	10	4	−7	−14	−20
Disability Insurance						
Outgo	18.4	18.9	19.6	20.4	21.4	22.6
Income	22.0	19.4	28.8	35.5	41.5	46.3
Year-end balance	6.9	7.4	16.6	31.8	51.9	75.6
Start-of-year balance (as percent of outgo)	18	37	38	81	148	230
Hospital Insurance						
Outgo	34.3	39.5	45.0	51.7	59.1	67.4
Income	38.7	42.2	45.7	50.9	58.6	64.4
Year-end balance	22.5	25.2	26.0	25.2	24.7	21.7
Start-of-year balance (as percent of outgo)	53	57	56	50	43	37
Combined OASDHI						
Outgo	190.9	211.1	231.2	251.9	273.6	297.5
Income	190.8	205.7	222.2	250.1	279.8	305.0
Year-end balance	45.2	39.8	30.8	29.0	35.2	42.7
Start-of-year balance (as percent of outgo)	24	21	17	12	11	12

Notes: The income figures for 1983, and the end-of-year asset figures for 1983 and later, reflect the transfer of $6.4 billion from the DI trust fund to the OASI trust fund under the interfund borrowing authority provided by Public Law 97-123.

The estimated operations for OASI, OASDI, and total OASDI and HI in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI trust fund would become depleted in the second half of 1983 when assets become insufficient to pay benefits when due.

Source: Social Security Administration, Office of the Actuary.

TABLE 3.—ESTIMATED OPERATIONS OF THE OASI, DI, AND HI TRUST FUNDS BASED UPON CBO'S FY 1983 BUDGET ASSUMPTIONS

[Dollars in billions]

	Fiscal year—					
	1982	1983	1984	1985	1986	1987
Old Age and Survivors Insurance						
Outgo	139.3	153.7	167.4	182.7	198.4	214.4
Income	128.7	136.7	149.4	167.7	184.6	200.5
Year-end balance	13.3	−3.7	−21.7	−36.7	−50.5	−64.4
Start-of-year balance (as percent of outgo)	17.1	8.6	−2.2	−11.9	−18.5	−23.6
Disability Insurance						
Outgo	18.8	20.0	20.9	21.6	22.3	23.6
Income	21.8	25.4	28.4	35.0	40.6	45.6
Year-end balance	6.5	11.9	19.3	32.7	51.0	73.0
Start-of-year balance (as percent of outgo)	18.1	32.3	56.7	89.3	146.7	216.1
Hospital Insurance						
Outgo	34.3	40.0	46.3	53.1	60.6	69.1
Income	38.0	41.3	45.1	50.1	57.4	62.8
Year-end balance	21.8	23.2	22.0	19.0	15.8	9.5
Start-of-year balance (as percent of outgo)	52.8	54.6	50.1	41.4	31.3	22.8
Combined OASDHI						
Outgo	192.3	213.6	234.6	257.4	281.3	307.2
Income	188.5	203.5	222.8	252.8	282.6	308.9
Year-end balance	41.5	31.4	19.6	15.0	16.3	18.0
Start-of-year balance (as percent of outgo)	23.6	19.4	13.4	7.6	5.3	5.3

Note: In contrast to the previous table, these income and outgo figures do not reflect an transfers from the DI or HI funds to the OASI fund as authorized under Public Law 97–123.

Source: Congressional Budget Office. Based on CBO's FY 1983 "Base-line" econom ic assumptions.

TABLE 4.—ADMINISTRATION AND CBO ECONOMIC ASSUMPTIONS (RELATED TO OASDI PROGRAM)

[In percent]

	Increase in CPI		Social Security benefit increase		Unemployment rate	
Calendar year	Administration	CBO	Administration	CBO	Administration	CBO
1982	7.3	7.5	8.1	8.5	8.9	8.9
1983	6.0	6.9	6.5	6.5	7.9	8.0
1984	4.6	6.9	4.8	7.2	7.1	7.4
1985	4.8	6.4	4.8	6.5	6.4	7.2
1986	4.6	6.0	4.6	6.1	5.8	6.9
1987	4.5	5.7	4.5	5.8	5.3	6.7

Source: SSA and CBO.

Currently Scheduled Tax Rates and Estimated Tax Bases.—The trust fund status shown in the preceding tables includes the impact of additional income which will result from social security tax increases already scheduled under present law. The tables which follow show the tax rates and taxable earnings bases which will go into effect under present law. As indicated in these tables, significant increases in the taxes were provided for in the 1977 amendments. At the time those amendments were adopted, the funds were projected to be adequate to meet benefit obligations for many years into the future. However, the 1977 changes did not provide a wide margin for error and the economic situation has turned out to be far less favorable than the assumptions used in 1977.

TABLE 5.—TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS, 1977 AND AFTER

[In percent]

Calendar years	OASI [1]	DI [2]	OASDI	HI [3]	Total (OASDHI)
EMPLOYERS AND EMPLOYEES, EACH					
1977	4.375	0.575	4.95	0.90	5.85
1978	4.275	0.775	5.05	1.00	6.05
1979	4.330	0.750	5.08	1.05	6.13
1980	4.520	0.560	5.08	1.05	6.13
1981	4.700	0.650	5.35	1.30	6.65
1982–84	4.575	0.825	5.40	1.30	6.70
1985	4.750	0.950	5.70	1.35	7.05
1986–89	4.750	0.950	5.70	1.45	7.15
1990 and later	5.100	1.100	6.20	1.45	7.65
SELF-EMPLOYED PERSONS					
1977	6.1850	0.8150	7.00	0.90	7.90
1978	6.0100	1.0900	7.10	1.00	8.10
1979	6.0100	1.0400	7.05	1.05	8.10
1980	6.2725	0.7775	7.05	1.05	8.10
1981	7.0250	0.9750	8.00	1.30	9.30
1982–84	6.8125	1.2375	8.05	1.30	9.35
1985	7.1250	1.4250	8.55	1.35	9.90
1986–89	7.1250	1.4250	8.55	1.45	10.00
1990 and later	7.6500	1.6500	9.30	1.45	10.75

[1] Old-age and survivors insurance.
[2] Disability insurance.
[3] Hospital insurance (part A of medicare).

TABLE 6.—ANNUAL EARNINGS SUBJECT TO THE SOCIAL SECURITY TAX (TAXABLE EARNINGS BASE)

Calendar year	Administration	CBO
1980	$25,900	$25,900
1981	29,700	29,700
1982	32,400	32,400
1983 [1]	35,100	35,100
1984 [1]	38,100	37,800
1985 [1]	40,500	40,500
1986 [1]	42,600	43,500
1987 [1]	45,600	46,500

[1] Estimates.

Source: SSA and CBO.

TABLE 7.—ADDITIONAL TAX INCOME TO SOCIAL SECURITY TRUST FUNDS RESULTING FROM 1977 AMENDMENTS (CALENDAR YEARS 1983–87)

[In billions]

Calendar years	Additional tax income		
	OASDI	HI	Total
1983	26.3	1.5	27.8
1984	29.1	1.7	30.8
1985	43.0	3.6	46.6
1986	47.4	2.4	49.7
1987	51.0	2.4	53.4

Note: Based on the 1981 Trustees' Report Intermediate (II–B) economic assumptions.

Source: Office of Actuary, SSA.

Chart 5

Social Security Cash Benefit Programs
Proposed Legislation

(dollars in billions)

	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
Coverage of Railroad workers:						
Budget effect:						
Receipts	....	−$1.7	−$1.8	−$1.9	−$2.0	−$2.1
Outlays	....	−2.0	−2.2	−2.4	−2.5	−2.7

Social Security Trust Fund Effect:						
Income	+.4[1]	+1.4	+1.5	+1.6	+1.7	+1.8
Outgo	+2.1	+1.4	+1.4	+1.4	+1.6	+1.6
Miscellaneous disability proposals	....	-.06	-.06	-.06	-.06	-.06

[1] This income is only to the Hospital Insurance Trust Fund. The income figures for fiscal years 1983–1987 are for all 3 trust funds.

Source: OMB.

Chart 5

Social Security Cash Benefit Programs: Proposed Legislation

No major social security financing legislation is contained in the Administration's budget. The President awaits the recommendations of the new National Commission on Social Security Reform, due to report by December 31, 1982. However, there are a number of proposals in the fiscal year 1983 budget affecting the administration and coverage of social security.

Coverage of railroad workers under social security.—The Administration proposes to defederalize the railroad retirement system. The social security-related segment of railroad retirement benefits would be administered directly by the Social Security Administration rather than by the Railroad Retirement Board, which would be eliminated as a Federal agency effective September 30, 1982.

The other components of railroad retirement benefits, over and above the social security segment, would be administered like other multi-employer private pension plans. Ownership of the assets of the current railroad retirement trust fund would be transferred to the new private corporation chartered to run the rail industry pension programs, effective September 30, 1982.

The proposal also calls for an acceleration of the final financial interchange payment from social security to RRB, moving the June 1983 payment (approx. $2.1 billion) up to September 1982.

Miscellaneous disability proposals.—The Administration also proposes four legislative changes altering administrative practices in the DI program. These proposals would: (1) Repeal the provision of the 1980 Amendments which authorizes the Secretary to pay physicians and other potential sources for furnishing existing medical evidence related to a DI claimant's condition (est. fiscal year 1983 savings: $11.4 mil.); (2) repeal the provision of the 1980 amendments requiring that 65 percent of disability allowances and continuances made by State disability agencies be reviewed by Federal examiners in fiscal year 1983 and later; the Administration proposes to limit this review to 35 percent of the cases, the level currently required in fiscal year 1982 (est. fiscal year 1983 savings: $9.5 mil.); (3) repeal the provision of the 1980 amendments requiring that persons denied disability benefits be given personalized denial notices (est. fiscal year 1983 savings: $31 mil.); and (4) alter current provisions under which SSA

fixes reasonable fees for attorneys representing DI claimants in administrative appellate proceedings and certifies payment for compensation to them; SSA no longer wants to make such determinations or certifications, except for the setting of maximum fees by regulation (est. fiscal year 1983 savings: $7 mil.).

The Budget document presents these four proposals as changes to be incorporated in the 1983 Appropriations Act. They are, however, proposals that would alter the Social Security Act, which falls under the jurisdiction of the Committee on Finance, and therefore would have to be acted on by this committee in order to be incorporated as permanent features of the law.

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Chart 6

Unemployment Compensation

(dollars in billions)

	FY 1982	FY 1983
Present Law		
PAYROLL TAX ELEMENTS:		
Federal/State tax and interest income	16.4	17.9
Federal taxes (net of credit reductions)	3.2	3.4
State taxes	12.5	14.3
Interest	0.7	0.2
Administrative costs	2.1	2.1
Tax-financed benefits	22.7	20.6
Deficit	-8.4	-4.8
GENERAL FUND ELEMENTS:		
Advances to the trust fund	3.8	4.5
Federal employee benefits	0.3	0.2
Trade adjustment assistance	0.1	0.1
Other	0.1	0.1
Proposed Legislation		
Provide UC-X only for personnel involuntarily discharged under honorable conditions	-0.01	-0.03
Round UC benefits	.....	-0.01
Eliminate TRA allowances except for recipients in training	-0.03	-0.11

Chart 6

Unemployment Compensation

The unemployment compensation system was enacted as a part of the Social Security Act of 1935 to provide partial wage replacement to covered workers during periods of temporary and involuntary unemployment. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The major provisions of the unemployment compensation program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure.

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 3.4 percent on the first $6,000 of wages is levied on employers. If the State's unemployment compensation program meets the requirements of Federal law, employers in that State receive a 2.7 percent credit against the 3.4 percent Federal unemployment tax. Thus, the Federal tax rate in a State which has an approved program is 0.7 percent. The tax may be higher in States having outstanding unemployment insurance loans from the Federal Government.

The Federal tax is used to pay both State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to pay most of the cost of operating State employment service programs, to fund 50 percent of the extended benefits paid to unemployed workers under the Federal-State Extended Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow whenever it lacks funds to pay State unemployment compensation benefits due for a month.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the cost of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget. States then pay benefits from this fund.

Most unemployment benefits are paid through the Federal Unemployment Trust Fund which consists of a number of accounts and which draws its funding partly through State payroll taxes, partly through the Federal Unemployment Tax, and partly from general revenues.

Regular State unemployment benefits are paid by the States from individual State accounts in the trust fund. These State accounts are primarily funded by State payroll taxes on employers. However, if a State account is unable to meet its obligations, the State account may be supplemented by loans from a Federal loan account in the trust fund.

In most States, regular State unemployment benefits are payable for a maximum of 26 weeks. In times of high unemployment, the Federal-State extended benefit program goes into effect providing up to 13 additional weeks of benefits.

The extended benefits program triggers on in a State when the insured unemployment rate (IUR) in that State reaches at least 5 percent and is at least 20 percent higher than the rate prevailing on average during the comparable period in the previous 2 years. However, a State may elect an optional trigger which permits the payment of extended benefits when the State IUR is at least 6 percent, even if that rate is not 20 percent higher than the rate prevailing in the 2 prior years. These State triggers were raised from 4 and 5 percent respectively by a provision of the Omnibus Reconciliation Act of 1981 (P.L. 97–35). The new higher rates become effective October 1, 1982. Seventeen States are currently triggered on the EB program under the lower State triggers.

Half the cost of the extended benefit program is met from State payroll taxes and half the cost is met from a trust fund account which is primarily funded through a portion of the 0.7 percent Federal unemployment tax on employers.

Federal general revenue funds are advanced as needed to cover shortages in the account which pays the Federal share of extended benefits and in the account from which States borrow to meet shortages in State accounts. In addition, general revenues are used to meet the cost of certain benefits provided under Federal law. These include unemployment benefits for Federal employees and ex-servicemen, trade adjustment benefits, and benefits under special programs related to disaster relief and the Redwoods Park. (Except in the case of Federal civilian employees, these separately funded general revenue programs are not included in the trust fund totals).

A special program also exists for workers in the railroad industry. This is funded by employer contributions which are paid into a separate trust fund account administered by the Railroad Retirement Board.

Proposed Legislation.—The fiscal year 1983 budget submitted by President Reagan includes several changes in unemployment compensation. Those under the jurisdiction of the Finance Committee are:

(1) Require States to round UC benefits to the lower dollar beginning July 1, 1983. Savings are estimated at $6 million in fiscal year 1983.

(2) Modify the UC program for ex-military personnel by allowing UC only for those who are involuntarily discharged under honorable conditions because of demobilization, reduction in force, or disability incurred while in the service. This will exclude not only those who voluntarily leave the military under honorable conditions, as provided in the Omnibus Budget Reconciliation Act of 1981 (P.L. 97–35), but also will exclude those who leave the military involuntarily because of a "record of indiscipline or failure to maintain skill proficiency." Estimated savings are $5 million and $30 million in fiscal years 1982 and 1983, respectively; effective July 1, 1982.

(3) Eliminate Trade Readjustment Allowances (TRA) after July 1, 1982, except for recipients who are then enrolled in approved training. Estimated savings are $26 million and $108 million in fiscal years 1982 and 1983, respectively.

In addition, the Administration proposes the repeal of the Railroad Unemployment Insurance program. This program is included in the Federal Unemployment Trust Fund, but operates (both as to financing and benefits) under legislation in the jurisdiction of the Senate Committee on Labor and Human Resources. If this program were repealed, the Committee on Finance would need to consider removal of the present exemption of railroad employment from the Federal unemployment tax. Under existing law, the railroad unemployment program involves payments estimated at $219 million for fiscal year 1983. The budgetary impact of the proposed change has not yet been estimated.

Finally, the Administration projected that $3.8 billion and $4.5 billion in advances from the General Fund to the Unemployment Trust Fund will be required in fiscal years 1982 and 1983, respectively, to finance additional State borrowing. This would increase the Trust Fund debt to the General Fund from $13.1 billion at the end of fiscal year 1981 to $20.9 billion by the end of fiscal year 1983. About $14 billion of this debt will be owed by insolvent State UC programs and about $7 billion will be owed by the extended benefits program account for past advances to finance underfunded outlays incurred in response to the 1974–1975 recession.

Chart 7

Welfare Programs for Families

(dollars in billions)

	FY 1982	FY 1983
Present law:		
Aid to families with dependent children:		
Welfare payments	7.119	6.833
Administration	.907	.891
Work incentive program (WIN)	.246	[1]
Child support:		
Total collections	.872	.922
Federal share	.323	.341
Administrative costs	.490	.532
Net collections:		
Federal share	-.167	-.191
Title IV-B (child welfare) and Title IV-E (foster care, adoption assistance)	.465*	.550*
Proposed legislation:		
AFDC	-.166	-1.183
Child support enforcement	-.035	-.157
Title IV-B and E block grant	....	-.170*

* Preliminary estimates, proposed block grant would be funded at $380 million, a reduction of $85 million from current fiscal year 1982 appropriation level.

[1] Funding level determined by appropriations.

Chart 7

Welfare Programs for Families

A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. States, at their option, may also provide benefits for families in which dependency arises from the parent's unemployment. Twenty-five States plus Guam and the District of Columbia have elected to provide benefits to families with unemployed parents. The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 54 percent. States establish their own income eligibility and benefit levels.

The average number of families and recipients receiving monthly payments as estimated by the Administration are:

[In millions]

	Fiscal year—	
	1981	1982
Families	3.8	3.8
Individuals	11.1	11.0

Administration estimates for Federal program costs are as follows:

[In millions]

	Fiscal year—	
	1981	1982
AFDC benefits (present law)*	$7,085	$7,119
Emergency assistance	57	61
State and local administration and training	820	907
Other assistance payments	16	15
Federal administration and related costs	25	32
Total	8,003	8,134

*Excludes child support collections.

A number of legislative changes aimed at reducing AFDC expenditures were included in the Omnibus Budget Reconciliation Act of 1981. These amendments defined and limited amounts of earnings that can be "disregarded" in determining benefits. They authorized States to develop a variety of new employment programs for recipients, including community work experience programs, work supplementation programs and Work Incentive demonstration programs. They tightened the eligibility and benefit determination process by requiring States to use retrospective accounting and monthly reporting procedures. In addition, the amendments further limited eligibility and benefit payments by: requiring that a stepparent's income be counted in determining the family's benefit; providing eligibility for a pregnant woman with no other children only beginning with the 6th month of pregnancy; requiring that lump-sum payments be treated as income in the month of receipt and future months; establishing maximum asset limits; requiring that the amount of earned income tax credit (EITC) which an individual is eligible to receive on an advance basis be assumed in determining the amount of the benefit, whether or not the EITC is actually received; and requiring States to recover overpayments and pay underpayments. At the time of passage of the Reconciliation Act, the Congressional Budget Office estimated that the legislative changes in the AFDC program would produce savings in fiscal year 1982 of $1,026 million.

B. WORK INCENTIVE PROGRAM

The Work Incentive (WIN) program is charged with administering the work registration requirement for AFDC recipients, and providing employment and training services for those who are required to register or who volunteer for WIN services. The program also provides support services, including child care, for those who need them in order to work or take training. The program is administered jointly at the Federal level by the Department of Health and Human Services and the Department of Labor, and at the State level by the welfare (or social service) agency and the employment service.

The Omnibus Budget Reconciliation Act of 1981 included a provision authorizing States to operate a 3-year demonstration program as an alternative to the current WIN program. The demonstration is aimed at testing single-agency administration, and the demonstration

must be operated under the direction of the welfare agency. The legislation includes broad waiver authority.

The 1982 continuing resolution reduced the WIN appropriation from $365 million in fiscal year 1981 to $246 million for fiscal year 1982.

C. CHILD SUPPORT ENFORCEMENT

The purpose of the Child Support Enforcement (CSE) program is to enforce support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child support. The program is closely tied to the AFDC program. As a condition of eligibility for AFDC, each applicant or recipient must assign the State any rights to support which he may have in his own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC. The Federal Government pays 75 percent of administrative costs.

Collections and costs under the program are as follows:

[In millions]

	Fiscal year	
	1981	1982
Collections (AFDC families):		
Total (Federal and State)	$688	$872
Federal share	268	323
Administrative costs:		
Total (Federal and State)	542	648
Federal share	421	490
Net collections (collections minus costs):		
Total (Federal and State)	146	224
Federal share	−153	−167

The program made collections on behalf of an estimated 548,000 AFDC families and 584,000 non-AFDC families in 1981. In 1982 an estimated 803,000 AFDC families will have collections made on their behalf, 205,000 of whom will have collections made through the new income tax intercept program.

The Omnibus Budget Reconciliation Act of 1981 included several provisions aimed at making the program more effective and reducing administrative costs. The amendments: authorized the collection of past-due child and spousal support from Federal tax refunds in the case of families receiving AFDC; expanded the authority in prior law to enforce obligations for support of a child to include, in addition, authority to enforce obligations for support of the parent with whom the child is living; required States to retain a fee equal to 10 percent of the support owed on behalf of a non-AFDC family, to be charged against the absent parent and added to the amount of the collection; provided that a support obligation assigned to the State as a condition of AFDC eligibility may not be discharged in bankruptcy; and required States to have a program to collect child support obligations which are being enforced under a State child support enforcement program by reducing the unemployment benefits of an absent parent.

The CBO estimates savings of $86 million in fiscal year 1982 from these changes.

Child Welfare, Foster Care and Adoption Assistance

D. CHILD WELFARE SERVICES

Under title IV–B of the Social Security Act, grants to the States are authorized for the purpose of providing child welfare services. Allocations to the States reflect State per capita income and the size of the population under age 21. Public Law 96–272, the Adoption Assistance and Child Welfare Act of 1980, restructured the child welfare services program to place greater emphasis on services designed to prevent or remedy the need for long-term foster care. The child welfare services program received $164 million in appropriations in fiscal year 1981, with an additional $5 million provided for child welfare training. The 1982 continuing resolution provided a spending level of $156 million for child welfare services, and $4 million for child welfare training.

E. FOSTER CARE AND ADOPTION ASSISTANCE

The Adoption Assistance and Child Welfare Services Act of 1980 (P.L. 96–272) involved a major restructuring of Social Security Act

programs for the care of children who must be removed from their own homes. In particular, prior law was modified to lessen the emphasis on foster care placement and to encourage efforts to find permanent homes for children either by making it possible for them to return to their own families or by placing them in adoptive homes. The foster care and adoption assistance program is embodied in title IV–E of the Social Security Act.

Before fiscal year 1981, open-ended Federal matching was provided for foster care payments under the AFDC program for children who met certain specified conditions. Public Law 96–272 set a ceiling on Federal foster care matching funds for 4 years beginning with fiscal year 1981. The ceiling is contingent upon the appropriation of specified additional amounts for the child welfare services program.

Title IV–E authorizes an adoption assistance program under which a State is responsible for determining which children in foster care are eligible for adoption assistance because of special needs which have discouraged their adoption. In the case of any child meeting the special requirements set forth in the law, the State may offer adoption assistance to parents who adopt the child. The amount of assistance is agreed upon between the parents and the agency.

Federal matching for the foster care and adoption assistance programs is at the medicaid matching rate.

The estimated level of spending in fiscal year 1981 for foster care is $349 million, with an additional $5 million spent for adoption assistance. The 1982 continuing resolution provided $300 million for foster care and $4 million for adoption assistance. However, the level of funding required to meet the full State entitlement is projected to be higher—in the range of $320 to $350 million.

PROPOSED LEGISLATION

A. Aid to Families with Dependent Children

The President's budget includes a number of proposals to reduce the cost of the AFDC program. As shown in the table below, the Administration estimates that savings would total $166 million in fiscal year 1982, and $1,183 million in fiscal year 1983.

AFDC PROPOSALS

[Dollars in millions]

	FY 82	FY 83
Require States to establish community work experience programs (CWEP)	6	49
Mandate job search for applicants	35	145
Provide unemployed parent benefits only if parent participates in CWEP	23	86
Remove parent from assistance unit for refusing work		1
End employable parent's benefit when youngest child is 16	12	47
Prorate shelter and utilities for AFDC families in larger households	45	174
Include all minor children in AFDC unit	16	63
Include income of all unrelated adults for benefit computations	20	69
Require States to count Federal or State energy assistance as income for AFDC		175
Eliminate military service as basis for AFDC eligibility	4	16
Round benefits to lower whole dollar	2	10
Prorate first month's benefit	3	14
Repeal AFDC emergency assistance program		60
Reduce Federal match for payment errors		234
State Administration Block Grant		40
Total	166	1,183

Require States to establish community work experience (CWEP) programs.—In the 1981 Reconciliation Act, States were given the authority to establish community work experience programs, under which AFDC recipients could be required to work in projects "which serve a useful public purpose" in exchange for their AFDC benefits. The Administration reports that fewer than half the States are currently planning to establish CWEP programs. The Administration proposes making this program mandatory rather than optional. The proposed effective date is July 1, 1982.

Mandate job search for applicants.—Under present law, recipients of AFDC may be required to participate in job search as part of the WIN program. The Administration proposes to require all employable adults in families applying for assistance to seek employment while their applications are pending. The effective date would be July

1, 1982. The Administration proposes requiring applicants to demonstrate that they have sought employment prior to receiving benefits.

Provide unemployed parent benefits only if principal earner is participating in a community work experience or other employment program.—Under present law, States may receive Federal matching for benefits paid to families under the AFDC-Unemployed Parent program without regard to whether the principal wage earner is participating in a community work experience or other employment program. The statute requires States to deny benefits if the unemployed parent refuses without good cause to accept employment which he is offered, or to participate in a CWEP project. Under the Administration's proposal, States would no longer receive Federal matching for benefits paid under the optional unemployed parent program unless the principal wage earner is participating in a community work experience program, work supplementation program, or work incentive program. The proposed effective date is July 1, 1982.

Remove parent/caretaker from the assistance unit for voluntarily quitting work, reducing earnings, refusing employment, or refusing a CWEP assignment.—Current regulations provide sanctions for AFDC recipients who are required to register for employment and training if they voluntarily quit work, reduce earnings, refuse employment, or refuse a CWEP assignment. This penalty does not apply to those who are not required to register, including persons who are employed 30 hours or more a week, or who live in an area so remote from a WIN program that their participation is precluded. The administration proposes to extend the sanctions to these nonregistrants. The proposal would be effective October 1, 1982.

End employable parent's benefit when youngest child reaches age 16.—Current law continues the eligibility of a parent/caretaker so long as the youngest child is eligible for benefits, i.e., until the child reaches age 18, or, at the option of the State, age 19 if the child is in school and is expected to complete his course of study before his 19th birthday. The Administration proposes to end the eligibility of an employable parent or caretaker relative when the youngest child reaches age 16. The child's benefit would continue as under present law. The proposed effective date is July 1, 1982.

Include all minor children in the AFDC unit, except for disabled children receiving SSI.—Currently an AFDC family may choose to exclude from the AFDC unit any children who have significant income which might reduce the family's AFDC benefit. Most commonly, these are children receiving social security or child support income. Under the Administration's proposal, the needs and income of all related children (except SSI disabled children) would be considered in determining AFDC eligibility and benefit payments. The Administration proposes an effective date of July 1, 1982.

Include the income of all unrelated adults as part of the AFDC assistance unit for purposes of computing benefits.—A provision in the Omnibus Budget Reconciliation Act of 1981 required that the income of a stepparent be counted in determining a family's AFDC benefits. Standard income disregards are applied in determining the amount of the stepparent's income which is considered to be available to the AFDC family. The Administration would extend this provision to unrelated adults who are living with the AFDC family, effective July 1, 1982.

Prorate shelter and utilities for AFDC families living in larger households.—The shelter and utilities portion of the AFDC grant would be prorated for families living in a larger household, as a way of taking into account the economies that may result when living expenses are shared with other household members. The effective date would be July 1, 1982.

Require States to count Federal energy assistance payments as income for AFDC.—In calculating AFDC benefits, States would be required to consider as income that portion of Low Income Home Energy Assistance benefits which duplicates the energy portion of a State's payment standard. The provision would be effective July 1, 1982.

Eliminate military service as a basis for AFDC eligibility.—Under current law, families may receive AFDC when a parent is "absent from the home" because of military service, even though the parents are not divorced or separated, and the family has not been abandoned. The Administration proposes that only families who have actually been deserted be eligible for AFDC. The provision would be effective July 1, 1982.

Require States to round benefits to the lower whole dollar.—States would be required to round both their need standards and actual monthly payment amounts to the lower whole dollar. The effective date would be July 1, 1982.

Prorate first month's benefit based on date of application.—Current regulations allow States to pay benefits beginning with the first day of the month of application. The proposed amendment would require States to prorate the first month's benefit based on the date of application. The effective date would be July 1, 1982.

Repeal the AFDC optional emergency assistance program.—Beginning in 1983, Federal matching funds would be ended for the optional AFDC emergency assistance program. States would be authorized to use Low Income Home Energy Assistance block grant funds to provide emergency assistance. (As of December 1980, 27 States or jurisdictions participated in the AFDC emergency assistance program.)

Reduce Federal matching for AFDC payment errors.—Under current law, beginning in fiscal year 1983, the Federal Government will discontinue matching State expenditures on erroneous AFDC payments above an error rate of 4 percent (subject to waiver by the Secretary). The Administration proposes to discontinue Federal matching for erroneous benefit payments in excess of 3 percent in 1983, 2 percent in 1984, 1 percent in 1985, with no matching funds provided for erroneous payments in 1986 and thereafter.

State administration block grant.—Under current law, the Federal Government matches State administrative expenses at a 50-percent rate for the AFDC, medicaid and food stamp programs. Beginning in 1983, the Administration proposes to implement a new State administration block grant to meet the costs incurred by State and local welfare agencies in administering these three programs. The block grant would be capped at $2.2 billion for 1983 and future years. According to the Administration, this represents approximately 95 percent of the 1982 Federal funding level for administrative costs of these programs. Of the $2.2 billion, $1.7 billion is included in the budget of the Department of Health and Human Services, and $0.5 billion would be transferred to HHS from the Department of Agriculture. These funds would be made available to the States with no matching requirements. In certain areas where the Federal Government supports anti-fraud and anti-abuse activities at a higher level, such as Food Stamps Fraud Control, the current open-ended Federal match would continue.

B. Work Incentive (WIN) Program

The 1982 continuing resolution provided $246 million for operating the WIN program, compared with $365 million in 1981. The Administration is requesting no funds for WIN for fiscal year 1983. The WIN legislation would not be repealed, however, and States could continue to use the statutory authority. The Administration proposes through appropriations language to allow States to use 1983 title XX funds to operate their WIN programs.

C. Child Support Enforcement

Require States to collect a 6 percent fee for non-AFDC child support collections.—The 1981 Reconciliation Act included a provision requiring States to retain a fee equal to 10 percent of the support owed on behalf of a non-AFDC family, to be charged against the absent parent and *added to* the amount of the collection. The Administration indicates that the requirement that the collection must be charged against the absent parent has been difficult to implement. It proposes to amend the child support legislation to require the States to retain 6 percent of collections from non-AFDC cases to offset the administrative costs

of processing these cases. The effective date would be July 1, 1982 and the Administration estimates that there would be savings of $10 million in fiscal year 1982, and $45 million in fiscal year 1983.

Restructure Federal matching provisions.—Currently the Federal Government pays 75 percent of State and local administrative costs for child support services. Where the absent parent's family is receiving AFDC, any child support that is collected is used to offset AFDC benefit costs. An additional 15 percent incentive payment (financed solely out of the Federal share of collections) is also made to States and localities which make collections on behalf of an AFDC family. The Administration proposes to repeal the current structure of Federal matching payments and distribution of AFDC collections, replacing it with a new formula designed to reward States both for increasing collections and for operating cost-effective programs. The proposed effective date is July 1, 1982. The Administration estimates savings of $25 million in fiscal year 1982 and $100 million in fiscal year 1983.

Other child support proposals.—The Administration is proposing additional changes in the child support program, including increasing the availability of information for State child support agencies, and making allotments against pay for military personnel who have delinquent child support obligations. Savings of $12 million are projected for fiscal year 1983 by the Administration.

D. Child Welfare Services
and
E. Foster Care and Adoption Assistance

The Administration proposes combining the child welfare services, child welfare training, foster care and adoption assistance programs into a child welfare block grant. The funding level for fiscal year 1983 and years thereafter would be set at $380 million. This is about 82 percent of the 1982 funding level for these programs. No legislative or funding changes were made in these programs for fiscal year 1982. The Administration has stated that detailed Federal requirements to the States would be reduced, but the high priority criteria for sound program management which were included in the Adoption Assistance and Child Welfare Act of 1980 would be continued. The estimated reduction from current fiscal year 1982 spending for these programs is $85 million.

Chart 8

Social Services

(dollars in billions)

	FY 1982	FY 1983
Present law:		
Title XX block grant	$2.400	$2.450
Proposed legislation:		
Reduced appropriations request	.....	1.974
Savings	.....	.476

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Chart 8

Social Services

In addition to cash benefit programs and medical assistance, the Social Security Act includes provisions in title XX which make Federal funding available for social services. In previous years, title XX legislation authorized matching funds for State social services programs on an entitlement basis. The Federal matching rate was generally 75 percent. In the Omnibus Budget Reconciliation Act of 1981, a new social services block grant program was created to replace the prior Federal-State matching program. A number of requirements on the States have been removed, and funding levels have been reduced. The program remains an appropriated entitlement, with each State eligible to receive its share of a national total of $2.4 billion in 1982 and $2.45 billion in 1983.

As under the previous statute, allocations are made on the basis of State population. States may determine how their funds are to be used and who may be served. There are no family income requirements, and no fee requirements.

Proposed legislation.—The Administration proposes, as part of its fiscal year 1983 appropriation request, to place a cap on Title XX funding for that year of $1,974 million. This change, in order to be incorporated as a permanent feature of the law, would have to be acted on by this Committee. The proposal represents a reduction of $476 million in the amount provided in the Social Security Act authorizing legislation.

Chart 9

Supplemental Security Income

(dollars in billions)

	FY 1982	FY 1983
Present law:		
Total expenditures	$8.0	$9.2
Proposed legislation:		
Prorate first month's benefit	.01	.04
Round benefits	(*)	.02
Eliminate $20 income disregard	----	.02
Expand recovery of overpayments	----	.02
Coordinate SSI benefit increases	.05	.05
Require 24-month duration of disability	(*)	.05
Base determination of disability on medical factors	.01	.08
Phase-out hold-harmless protection	----	.03
Total savings**	.08	.30

* Less than $10 million.
** May not add due to rounding.

Chart 9

Supplemental Security Income

Since January 1974, the Social Security Administration has been responsible for administering a basic income support program for needy aged, blind, and disabled persons called Supplemental Security Income (SSI). This program is funded entirely from general funds. The law establishing the SSI program permits the temporary use of the social security trust funds to meet the administrative costs of the program but provides specific safeguards to assure that those costs are promptly reimbursed to the trust funds by an appropriation from general revenues.

The average number of recipients receiving Federally administered SSI payments as estimated by the Administration is as follows:

[In thousands]

	Fiscal year—	
	1981	1982
Aged	1,506	1,448
Blind and disabled	2,157	2,206
Total, Federal	3,663	3,654
State supplementary payments only	448	472
Total, SSI	4,111	4,126

The maximum Federal monthly payment for the year July 1981–June 1982 is $264.70 for an individual, and $397 for a couple. This payment is adjusted annually in July to reflect increases in the cost of living. The Administration projects an adjustment of 8.1 percent beginning in July 1982.

The Administration estimates Federal program costs as follows:

[In millions of dollars]

	Fiscal year—	
	1981	1982
Federal benefits (present law)	6,396	7,049
Hold-harmless payments	35	23
Beneficiary services and related costs	20	84
Administrative and other costs	720	822
Total	7,171	7,978

Only relatively minor changes in the SSI program were made by the Omnibus Budget Reconciliation Act of 1981. It provided for changing the method of accounting from a quarterly prospective basis to a monthly retrospective method. It also allowed the three States (California, Massachusetts and Wisconsin) that had previously been providing cash in lieu of food stamps to SSI recipients to continue to do so as long as they continue to meet certain specified conditions. It required notification of the Secretary of Health and Human Services by the Secretary of the Treasury of all benefit checks which have not been cashed within 180 days after the date of issuance, and required the Secretary of HHS to return amounts which represent State supplementary payments to the State. It limited payment to State vocational rehabilitation agencies by authorizing reimbursement only for services provided to SSI recipients who subsequently perform substantial gainful activity lasting for a continuous period of 9 months.

PROPOSED LEGISLATION

The fiscal year 1983 Budget submitted by President Reagan contains seven changes in SSI, with an aggregate savings of $285.7 million.

Prorate first month's benefit based upon date of application.—Present law authorizes the payment of benefits beginning with the first day of the month in which the recipient: (1) applies, and (2) meets the eligibility requirements. The Administration proposes to prorate the first month's SSI benefit from the date of application or the date of eligibility, whichever is later. The effective date would be July 1, 1982, and the Administration estimates savings of $10 million in fiscal year 1982 and $40 million in fiscal year 1983.

Round SSI payment standard and benefit amount to next lower dollar.—Currently both the payment standard and actual benefit payments are rounded to the next higher 10 cents in the computation

process. The Administration proposes rounding these amounts to the next lower dollar. The change would begin with the benefit adjustment to take effect in July 1982. The Administration estimates savings of $3 million in fiscal year 1982, and $20 million in fiscal year 1983.

Eliminate $20 disregard for new recipients.—Current law provides for the disregard of $20 of income a month in determining SSI eligibility and benefit amount. This may be either earned income, or unearned income such as social security (title II) benefits, pension payments, or interest. The only income which does not qualify for this disregard is income which is based on need, such as veteran's pension income. The Administration proposes to eliminate the $20 disregard for all new SSI applicants and reapplicants, beginning January 1, 1983. The Administration estimates savings of $15 million in fiscal year 1983.

Cross program recovery of SSI overpayments.—Present law authorizes the Secretary to recover SSI overpayments by adjusting future payments, or by recovery from the recipient. Recovery of overpayments is to be made with a view to avoiding penalizing the individual who is without fault. Recovery of overpayments is not required, for example, if the individual is without fault and if recovery would defeat the purpose of the program, or be against equity or good conscience, or the amount to be recovered is so small as to impede efficient or effective administration. Under these same conditions, the Administration proposes to allow recovery of SSI overpayments from benefits payable under other programs administered by the Social Security Administration (Black Lung and OASDI benefits). The provision would be effective October 1, 1982, and the Administration estimates savings of $16 million in fiscal year 1983.

Coordination of SSI with OASDI cost-of-living adjustment under retrospective budgeting.—A provision in the Omnibus Budget Reconciliation Act of 1981 requires that SSI benefits be determined on the basis of a monthly retrospective accounting system to replace the quarterly prospective system, which has existed in the past. In other words, rather than basing benefits on the applicant's or recipient's income and resources in the upcoming calendar quarter, benefits are to be based on income and resources in the prior month. Because of a defect in drafting this legislation, the annual cost-of-living increase in SSI and OASDI benefits were not coordinated. When SSI recipients receive their SSI benefit increase, it will not immediately take into account the increase in their incomes resulting from the social security benefit increases (assuming they are eligible for both SSI and social security). One or two months later, their SSI benefit will fall when their new higher income is taken into account. The Administra-

tion estimates that amending the law to coordinate these cost-of-living adjustments will save $50 million in fiscal year 1982, and $45 million in fiscal year 1983.

Determine disability on prognosis of at least 24 months duration.—Under present law, in order to be determined to be disabled under both the Title II (OASDI) and Title XVI (SSI) programs, an individual must be unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or which is expected to last for a continuous period of *not less than 12 months*. The Administration proposes to amend the SSI law to require a minimum prognosis of *not less than 24 months*. This provision would be effective July 1, 1982, and the Administration estimates savings of $5 million in fiscal year 1982 and $45 million in fiscal year 1983.

Require that a finding of disability be based on a preponderance of medical factors.—Current regulations set forth in detail the medical and vocational factors which must be considered in making a disability determination under both the title II and title XVI disability programs. The Administration proposes to amend the SSI law to require that unless the applicant is of advanced age, only medical factors would be considered in determining whether an applicant for SSI benefits is disabled. Older workers would continue to have age and vocational factors considered as well if their medical impairments are not severe enough to justify a finding of disability solely on the basis of medical factors. The Administration proposes an effective date of July 1, 1982, and estimates savings of $10 million in 1982, and $75 million in 1983.

Phase out "hold harmless" protection.—When the SSI program was enacted in 1972, the law provided for a basic Federal minimum payment for all recipients. States were allowed to supplement the Federal payment if and to the extent they chose. The original statute also included "hold harmless" protection for the States which allowed them to supplement the Federal payment to assure that recipients would receive cash benefits equal to their January 1972 benefit levels, with no cost to the State beyond what it spent for benefits on behalf of aged, blind and disabled persons in calendar year 1972. Because of Federal benefit increases since that time, all except two States, Hawaii and Wisconsin, have lost their "hold harmless" status. These two States still receive a Federal contribution to their State supplements because of a special provision which was added to the law in 1976. The 1982 continuing resolution provided for a reduction in the "hold harmless" payment for Wisconsin and Hawaii. The Administration is pro-

posing appropriation language which would continue to phase out "hold harmless" payments in 1983. The Administration estimates savings of $29.7 million in fiscal year 1983. The Administration has indicated that this and related changes will be included in legislation to be submitted to the Finance Committee. One of the related changes which has no impact on Federal SSI costs—but would reduce medicaid costs—will eliminate the requirement that States pass-through Federal SSI cost-of-living increases by not reducing State supplements.

The Administration estimates that the proposed changes in SSI would result in a reduction in medicaid outlays of $176 million in fiscal year 1983.

Chart 10

Medicare Trust Funds Under Present Law[1]

(dollars in billions)

	Fiscal year						
	1981	1982	1983	1984	1985	1986	1987
Hospital Insurance:							
Income	$32.9	$38.7	$42.2	$45.7	$50.9	$58.6	$64.4
Outgo	29.3	34.3	39.5	45.0	51.7	59.1	67.4
Net increase	3.6	4.4	2.7	.7	-.8	-.5	-3.0
Funds at end of year	18.1	22.5	25.2	26.0	25.2	24.7	21.7

Supplementary Medical Insurance:							
Income	12.4	17.6	19.4	22.0	25.2	28.8	32.8
Outgo	13.2	15.6	18.0	21.0	24.2	27.6	31.5
Net increase	-.56	2.0	1.4	1.0	1.0	1.2	1.3
Funds at end of year	3.7	5.7	7.1	8.2	9.2	10.4	11.7

[1] "Present law" reflects the economic assumptions incorporated in President Reagan's fiscal year 1983 budget and contains regulatory changes proposed by the Administration.

Source: Social Security Administration, Office of the Actuary.

Chart 10

Medicare Trust Funds—Under Present Law

This chart shows the status of the two medicare trust funds in each of seven fiscal years. The data in this chart was provided by the office of the Actuary and is based on current law and takes into account certain regulatory measures proposed by the Administration.

Outlays for health care grew dramatically during the 1970's. Under current law assumptions, Medicare outlays are expected to continue this rapid growth as a result of both the rising medical care costs and the aging of the population.

These estimates do not reflect any transfer of assets from the HI Trust Fund to the OASI Trust Fund under the interfund borrowing authority. The projections shown on chart 10 indicate that while the HI fund is not in imminent danger of being unable to pay benefits, outgo will exceed income during fiscal year 1985. Although not shown on chart 10 it is estimated that the HI Fund will be completely exhausted in 1990.

Chart 11

Health Programs: Present Law (Administration Estimates)

(dollars in billions)

	FY 1982	FY 1983
Medicare trust funds:[1]		
Hospital insurance:		
Income	$38.3	$42.1
Outgo	34.3	39.2
Net increase	4.0	2.9
Supplementary medical insurance:		
Income	17.6	19.4
Outgo	15.5	17.9
Net increase	2.1	1.5
Medicaid:[1]		
Federal expenditures	18.1	19.9
State costs	15.5	17.0
Total program	33.6	36.9
Maternal and child health	.3	[2].4

[1] Estimates assume certain administration regulatory actions.

[2] Current authorization level. The Administration, however, proposes that the MCH block grant be expanded to include nutrition services currently provided by the WIC program, and that the block be funded at $1 billion in FY 1983 to reflect this proposal.

Source: Budget of the U.S. Government.

Chart 11

Health Programs: Present Law

MEDICARE

Medicare is a nationwide health insurance program for the aged and certain disabled persons authorized by Title XVIII of the Social Security Act. It consists of two parts: Part A, or the Hospital Insurance program, provides protection against the costs of inpatient hospital services and related institutional costs; Part B, or the supplementary Medical Insurance Program, is a voluntary program which provides protection against the costs of physician services and other medical services.

The 1981 Reconciliation Act (P.L. 97–35) contained a number of amendments to Medicare that resulted in savings to the program. Program spending was reduced by increasing certain patient cost-sharing requirements by more than they were otherwise scheduled to increase, by changing certain reimbursement policies regarding covered services and by making minor changes in covered benefits.

The fiscal year 1983 savings to Medicare as a result of these changes was estimated at $817 million.[1]

The Administration budget estimates benefit and administrative outlays under Medicare for fiscal year 1983 at $57.1 billion. Of this amount, benefit payments account for $56.6 billion. This represents an increase of 16.5 percent over the fiscal year 1982 benefit payments of $48.6 billion. These estimates assume substantial regulatory changes described on page 68 of this document.

Again this year, the primary factor accounting for a large portion of the rise in medicare costs is the increasing cost of hospital care.

Inpatient hospital expenditures generally account for about 70 percent of medicare benefit payments. Approximately 20 percent is for physician services, and about 1 percent for skilled nursing facility services.

Income to the trust funds in fiscal year 1983 is estimated at $61.5 billion, an excess over outlays of $4.4 billion.

MEDICAID

Medicaid is a federally aided, State-designed and administered program authorized by Title XIX of the Social Security Act, which provides medical assistance for certain categories of low income per-

[1] Source: Budget of U.S. Government.

sons who are aged, blind, disabled or members of families with dependent children. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided.

The 1981 Reconciliation Act (P.L. 97–35) contained a number of substantive changes in the Medicaid program that resulted in savings to the program. These changes included a number of provisions designed to give States increased flexibility in implementing their medicaid plans. P.L. 97–35 also provided for a reduction in Federal Medicaid funding for the fiscal year 1982–1984 period.

The fiscal year 1983 savings to Medicaid as a result of these changes is an estimated $696 million.[1]

The Administration budget projects total Federal-State Medicaid costs for fiscal year 1983 under current law to be $36.9 billion, of which the Federal share is $19.9 billion. Of the Federal amount, $18.9 billion represents payments for benefits, with the remaining $1 billion going for State and local administrative costs. This represents an increase in total Federal outlays of 9.1 percent over fiscal year 1982.

States match Federal expenditures under Medicaid, with total State expenditures accounting for approximately 46 percent of total program costs.

Under current law, in fiscal year 1983 State medicaid costs are estimated to be $17 billion, an increase of 10 percent over fiscal year 1982.

MATERNAL AND CHILD HEALTH BLOCK GRANT

Title V of the Social Security Act authorizes the Maternal and Child Health Services Block Grant which provides funding for the following programs; Maternal and Child Health and Crippled Childrens Services; Supplemental Security income services for disabled children; lead-based paint poisoning prevention; genetic disease; sudden infant death syndrome; hemophilia; and adolescent pregnancy. Under the Title V Block Grant, States determine the level of services. Typically States have supported such health services as those available in maternity clinics and well-child checkups.

P.L. 97–35 substantially altered the MCH program, creating the block grant, and adding to maternal and child health and crippled children services those functions described above. The Federal/State matching requirements were also changed and now require the States to spend seventy-five cents to get a dollar.

The current law authorization level is $373 million for fiscal years 1982 and 1983. For fiscal year 1982, the appropriation under the Continuing Resolution (P.L. 97–92) is set at $362 million. This funding

[1] Source: Budget of U.S. Govt.

level is effective only until March 31, 1982, and is then subject to a four percent reduction; so the amount to be made available will be $347.5 million.

Of this amount 85 percent will be allocated to States to provide block grant services; 15 percent will be retained by the Secretary for projects of regional and national significance, research, and training related to maternal and child health; and genetic disease and hemophilia programs.

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Chart 12

HEALTH PROGRAMS

Administration Legislative and Regulatory Proposed Changes

(dollars in millions)

	FY82	FY83
Medicare:		
Legislative proposals:		
Elimination of UR and PSROs	−17	−98
a. UR	(−13)	(−83)
b. PSROs	(−4)	(−15)
Delay in initial eligibility date	−29	−145
Working aged	−51	−303
2% reduction in hospital costs	−50	−653
Home health copayments	....	−35
Elimination of waiver of liability	−2	−10
Reimbursement for radiology and pathology services	−30	−160
Physician fee screen update	−45	−210
Index of Part B deductible	....	−65
Limitation on economic index increase	−10	−35
Repeal of provisions of P.L. 96–499	−4	−19
End-stage renal disease networks	−2	−5
1122 State facility reviews	....	−10
Medicare contractors	....	+1
Total legislative proposals	−240	−1,747
Regulatory initiatives:		
Private room subsidy	−$2	−54
Single limit for SNFs and HHAs	....	−18
HCFA/pprivate sector UR initiative	....	−330
Hospital-based physicians	−21	−63
Composite rate for rental dialysis services	−35	−130
Reasonable charges for outpatient services	−35	−160
Total regulatory initiatives	−93	−755
Other:		
Coverage of Federal workers (Increase in trust fund revenue)	....	+619

Chart 12—continued

HEALTH PROGRAMS

Administration Legislative and Regulatory Proposed Changes

(dollars in millions)

	FY82	FY83
Medicaid:		
Legislative proposals:		
Required beneficiary copayments	....	−329
Reduced matching rates	−134	−600
Elimination of matching for Part B buy-in	−45	−203
Elimination of special matching rates	−14	−64
Combined welfare administration block grant-direct savings	....	−218
Reduction of error rate tolerance	....	−59
Reduction in eligibility extension	−17	−75
Liens	....	−183
Elimination of UR	−4	−16
Impact of changes in other programs	−64	−354
AFDC changes	(−34)	(−153)
SSI changes	(−28)	(−176)
Medicare changes	(−2)	(−25)
Total legislative proposals	−278	−2,101
Regulatory initiative:		
Family supplementation	....	−29
Other:		
Transfer of administrative costs to SSA account	....	−810
Maternal and Child Health:		
Legislative proposal:		
Services for women, infants, and children block grant	....	+652.5

Chart 12

Health Programs: Administration Legislative and Regulatory Proposed Changes

MEDICARE

The Administration's FY 1983 budget contains various proposed legislative and regulatory initiatives resulting in an estimated savings to the program in FY 1983 of $2.4 billion.

Legislative Initiatives

Professional Standards Review Organizations (PSROs) and Utilization Review (UR).—The Administration budget proposes phasing-out of the PSRO program by July 1, 1982. The proposal would also eliminate the requirement for utilization review (UR). The Administration estimates that the proposal for PSRO phase-out will reduce the outlays for FY82 by $14 million and the outlays for FY83 by $5 million. It estimates that the proposal for eliminating the UR requirement will reduce the outlays for FY82 by $13 million and the outlays for FY83 by $83 million.

Delay in Initial Eligibility Date for Medicare Entitlement.—The budget proposal would defer initial eligibility for both Parts A and B of Medicare to the first day of the month following the individual's 65th birthday. The proposal would be effective July 1, 1982. The Administration estimates that this proposal will reduce the outlays for FY82 by $29 million ($15 million for Part A and $14 million for Part B) and the outlays for FY83 by $145 million ($83 million for Part A and $62 million for Part B).

Modified Coverage of Working Aged.—The budget proposal would require employers to offer employees aged 65 to 69 the same health benefit plan offered to younger workers and make Medicare the secondary payer to these plans. Where employers do not offer aged employees the same benefits as younger employees, they would not be permitted to claim the full cost of health plan benefits as a tax deduction. The proposal would be effective July 1, 1982. The Administration estimates that this proposal will reduce the outlays for FY82 by $51 million and the outlays for FY83 by $303 million.

Reduce Hospital Costs by 2 Percent.—As a temporary measure budget proposal would reduce Medicare hospital reimbursement by an

amount equal to 2 percent of the costs otherwise allowed by the program, until the Administration's proposals "to improve the competitiveness of the health care sector are fully effective." Hospitals would be prohibited from passing along to beneficiaries these reductions in the form of supplemental patient charges. The proposal would be effective July 1, 1982. The Administration estimates that this proposal will reduce the outlays in FY82 by $50 million and the outlays in FY83 by $653 million.

Require Minimal Copayment on Home Health Services Under Medicare.—The budget proposes the imposition of copayments for all home health visits. The amounts would be equal to about 5 percent of the average cost for such services. The proposal would be effective Jan. 1, 1983. The Administration estimates that this proposal will reduce the outlays for FY83 by $35 million.

Eliminate Waiver of Provider Liability for Certain Uncovered Medicare Services.—The budget proposal would eliminate, effective July 1, 1982, the provision in current law that allows payments to be made to an institutional provider of services under Medicare for certain uncovered or medically unnecessary services furnished to an individual, if the provider could not have known that payment would be disallowed for such items or services. The Administration estimates that this proposal will reduce the outlays in FY82 by $2 million and the outlays in FY83 by $10 million.

Reimburse Inpatient Radiology and Pathology Services at 80 Percent of Reasonable Charges.—The budget proposal would change reimbursement for inpatient radiology and pathology services by requiring beneficiaries to pay 20 percent of the reasonable charges for such services, the same coinsurance rate applicable in the case of other physician services. Medicare would pay 80 percent of reasonable charges. The Part B deductible would also apply to such services. The proposal would be effective July 1, 1982. The Administration estimates that this proposal will reduce the outlays for FY82 by $30 million and the outlays for FY83 by $160 million.

Update Part B Fees Screens on October 1.—The budget proposal would postpone to Oct. 1, 1982, the current law requirement that the customary and prevailing charge screens or limits used to determine reasonable charges by physicians under Part B of Medicare be updated on July 1, 1982. The proposal would establish all future updates of both screens on Oct. 1 of each year. The Administration estimates this proposal will reduce the outlays for FY82 by $45 million and the outlays for FY83 by $210 million.

Index Part B Deductible to Consumer Price Index.—The budget proposes indexing the Part B deductible to the Consumer Price Index

(CPI) beginning in 1983. The proposal would be effective Jan. 1, 1983. The Administration estimates that this proposal will reduce the outlays for FY83 by $65 million.

Limit Increase in the Economic Index Used To Determine Physician Fees to 5 Percent.—The budget proposal would impose a one-time limit on the rate of increase in the economic index used to determine increases in physician fees to 5% (instead of an anticipated 8%) on July 1, 1982. The Administration estimates that this proposal will reduce the outlays for FY82 by $10 million and the outlays for FY83 by $25 million.

Repeal of Certain 1980 Reconciliation Act Changes in Medicare Program.—The budget proposal would repeal Sec. 933 of the Omnibus Reconciliation Act of 1980 (P.L. 96–499) which amended the Medicare program to recognize, effective July 1, 1981, comprehensive outpatient rehabilitation facilities as providers of service under Part B. The budget proposal would also repeal Sec. 935 of that Act which raised, effective Jan. 1, 1982, the amount of incurred reasonable charges for outpatient physical therapy services provided by physical therapists in independent practice under Part B from $100 to $500 annually. The Administration estimates that the proposal relating to comprehensive rehabilitation facility services will reduce outlays for FY82 by $4 million and the outlays for FY83 by $15 million. The proposal relating to physical therapy services under Part B is estimated to save $4 million in FY83.

Eliminate Funding for End-State Renal Disease Networks.—The budget proposal would eliminate funding for end-stage renal disease networks. The Administration estimates that this proposal will reduce the outlays for FY82 by $2 million and the outlays for FY83 by $5 million.

Eliminate Funds for State Facility Review Under Sec. 1122.—The budget proposal would modify the Sec. 1122 of the Social Security Act, related to planning, which requires the Secretary of Health and Human Services to pay from the Hospital Insurance (Part A) Trust Funds for certain expenses associated with planning activities. The proposal would require States rather than the hospital insurance trust fund to pay for the administrative costs of the program. The Administration estimates that this proposal will reduce the oulays for FY83 by $10 million.

Medicare Contractors.—The budget proposes holding the FY83 figure for contractor services at the same level as the FY82 figure—$704 million. The Administration indicates that the program will be able to accommodate increased workloads within the requested levels due to increased efficiencies. The Administration will also propose elim-

inating the ability of providers (such as hospitals) from nominating their own intermediary. HCFA would also be provided with additional flexibility in the the choice of contracting arrangements, such as competitively bid fixed-price arrangements. The Administration estimates that the changes relating to contracting arrangements will increase outlays for FY83 by $1 million.

Regulatory Initiatives

Eliminate Medicare Subsidy for Private Rooms.—The budget proposal indicates the Administration's intent, through regulatory initiative, to eliminate an indirect subsidy of certain costs of private rooms. This would be accomplished by subtracting from a hospital's allowable costs the differential costs for private rooms over semiprivate rooms. The decrease in reimbursement could not be passed along to beneficiaries. The proposal would be effective July 1, 1982. The Administration estimates that this proposal will reduce the outlays for FY82 by $2 million and the outlays for FY83 by $54 million.

Single Reimbursement Limit for Skilled Nursing Facility (SNF) and Home Health Agency (HHA) Services Under Medicare.—The budget proposal indicates the Administration's intent, through regulatory initiative, to establish a single limit that would be based on the cost experience of free-standing facilities in order to encourage "more efficient behavior on the part of costly hospital-based facilities." Providers would be permitted to apply for exceptions on the basis of "legitimate cost differences." The proposal would be effective with regard to home health agencies July 1, 1982, and with regard to skilled nursing facilities Oct. 1, 1982. The Administration estimates that this proposal will reduce the outlays for FY83 by $18 million.

HCFA/Private Sector Utilization Review Initiative.—The budget proposal indicates the Administration's intent, through regulatory initiative, to "establish objectives for Medicare contractor activities and cooperate with private sector efforts to reduce unnecessary days and other services." The proposal would give "Medicare contractors greater responsibility for the identification and reduction of waste in the provision and use of health care services. A strategy for implementing this program is currently under development and will be ready for implementation at the beginning of 1983." The Administration estimates that this proposal will reduce the outlays for FY83 by $330 million.

Reimbursement for the Services of Hospital-Based Physicians.—The budget proposal indicates the Administration's intent, through regulatory initiative, to enforce current reimbursement policies which require that services furnished by a physician to Medicare hospital

inpatients be reimbursed on the basis of reasonable charges under Part B, only if such services are identifiable professional services to patients that require performance by physicians in person and contribute to the diagnosis or treatment of patients. All other services performed for hospital inpatients by hospital-based physicians (e.g., radiologists, anesthesiologists, pathologists) are to be reimbursed under Part A of Medicare on the basis of reasonable costs. The Administration estimates that this proposal will reduce the outlays for FY82 by $21 million and the outlays for FY83 by $63 million.

Composite Rate for Renal Dialysis Services.—The budget proposal indicates the Administration's intent, through regulatory initiative, to implement Sec. 2145 of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97–35) which requires the Secretary to prescribe regulations for prospectively determining the amounts of payments to be made for renal dialysis services. Separate composite weighted formulas are to be calculated for hospital-based and for other renal dialysis facilities. The Administration estimates that this proposal will reduce the outlays for FY82 by $35 million and the outlays for FY83 by $130 million.

Eliminate Duplicate Payments for Services on Outpatient Departments.—The budget proposal indicates the Administration's intent, through regulatory initiative, to reduce reimbursement by refining application of Medicare's customary and prevailing charge screens to more appropriately reflect reasonable charges for outpatient services provided by hospitals and by physicians utilizing these facilities. The Administration estimates that this proposal will reduce the outlays for FY82 by $35 million and the outlays for FY83 by $160 million.

Other

Coverage of Federal Workers Under Medicare Part A.—The budget proposal would require Federal civilian employees to pay the Hospital Insurance portion of the social security payroll tax; the Federal Government would become liable for the employer portion. Thus Federal workers would become eligible for hospital insurance protection under Part A of Medicare on the basis of their Federal employment. The proposal would be effective Jan. 1, 1983. The budget shows an increase in Federal revenues of $619 million resulting from payment of the hospital insurance payroll tax by Federal workers.

MEDICAID

The Administration's FY83 budget contains a number of proposals designed to achieve a reduction of $2.1 billion in Federal outlays in FY83. Some of the proposals would become effective on July 1, 1982; FY82 Federal outlay savings for these items are estimated at $278 million.

Proposed Legislation

Required Cost-Sharing by Medicaid Recipients.—The Administration budget would mandate, effective Oct. 1, 1982, the imposition of the following copayment amounts:

—For the categorically needy, $1 per visit for physician, clinic, and hospital outpatient department services;

—For the medically needy, $1.50 per visit for physician, clinic, and outpatient department services;

—For the categorically needy, $1 per day for inpatient hospital services;

—For the medically needy, $2 per day for inpatient hospital services.

The Administration estimates that this proposal will reduce Federal outlays by $329 million in FY83.

Lower Medicaid Matching Rate for Specific Services and Persons.—The budget proposes, effective July 1, 1982, a 3 percentage point reduction in each State's matching rate for all services for the medically needy and for optional services for the categorically needy. The Administration estimates that this proposal will reduce Federal outlays by $134 million in FY82 and $600 million in FY83.

Eliminate Matching Rate for Medicare Part B "Buy-In."—The budget proposes elimination, effective July 1, 1982, of Federal matching for monthly Medicare Part B premium payments made by States on behalf of their cash assistance recipients who are dually eligible for medicaid and medicare. The Administration estimates that this proposal will reduce Federal outlays by $45 million in FY82 and $203 million in FY83.

Eliminate Special Matching Rates.—The budget proposes elimination of the special 90 percent matching rate for family planning services. It also proposes lowering the matching rate for State certification activities to 75 percent. All other administrative costs would be subsumed in the combined administrative block grant.

The Administration estimates that this proposal will reduce Federal outlays by $14 million in fiscal year 1982 and $64 million in fiscal year 1983.

Combined Welfare Administration Block Grant.—The Administration is proposing a combined payment for the costs incurred by State and local welfare agencies in administering Medicaid, AFDC, and food stamps. The new block grant program would be capped at $2.2 billion which the Administration estimates is approximately 95 percent of the fiscal year 1982 Federal share of administrative expenses. The Administration estimates that this proposal will reduce Federal outlays for medicaid by $218 million in FY83. In addition, $810 million in administrative costs would be transferred from the medicaid account to the social security account.

Reduction of Error Rate Tolerance.—The budget proposes to require States to achieve a zero percent error rates for Medicaid eligibil-

ity determinations by FY86. The current FY83 target would be reduced to 3%, the FY84 target would be 2%, and the FY85 target would be 1%. Any State which exceeded the target would be subject to a prospective disallowance based on the latest available data. The Administration estimates that this proposal will reduce Federal outlays by $59 million in FY83.

Reduction in 4-Month Eligibility Extension.—The Administration proposes to reduce to 30 days, effective July 1, 1982, the current law requirement that Medicaid coverage must be extended for four additional months to certain families whose AFDC cash assistance has been terminated provided they had received AFDC for at least 3 of the preceding 6 months; this extension only applies to families whose AFDC coverage has been terminated due to increased income from or hours of employment. The Administration estimates that this proposal will reduce Federal outlays by $17 million in FY82 and $75 million in FY83.

Allowing States To Impose Liens.—The Administration proposes to amend current law which bars States from imposing any lien against any recipient's property prior to his death because of claims paid or to be paid in his behalf unless placed as a result of a court judgment. In the case of individuals under age 65 when the payments were made, no adjustments or recoveries can be made for Medicaid claims correctly paid. In the case of individuals over 65, adjustments and recoveries for correctly paid claims can be made after the individual's death from his estate only: (1) after the death of his surviving spouse; and (2) where there are no surviving children who are under 21 or blind or disabled. The Administration proposes to allow earlier recoupment for long-term care costs. States could only take such actions where the property is no longer needed by the recipient, spouse, or minor children. The proposal would be effective July 1, 1982. The Administration estimates that this proposal will reduce Federal outlays by $183 million in FY83. No reduction in Federal outlays is assumed for FY82.

Elimination of Utilization Review.—The Administration is proposing elimination of the current law requirements that require utilization review to be conducted in institutional settings and require States to establish a program of utilization controls over extended stays in such facilities. P.L. 97–35 provided that States could, at their option, contract with Professional Standards Review Organizations (PSRO's) to perform required Medicaid review activities; 75 percent Federal matching is available for this purpose.

The Administration's proposal would permit States to earmark a portion of their welfare administration block grant for utilization review, if a State chose to do so. The Administration estimates a reduc-

tion in Federal outlays of $4 million in FY82 and $16 million in FY83 attributable to the elimination of utilization review requirements.

Impact of Changes in Other Programs.—The Administration is proposing several changes in AFDC and SSI which will reduce caseloads in these two programs. Since Medicaid eligibility is linked to eligibility for AFDC and SSI, Medicaid savings are also anticipated. Certain changes in the Medicare program will also result in Medicaid savings.

The Administration estimates reductions in FY82 Federal Medicaid outlays of $34 million due to AFDC changes, $28 million due to SSI changes, and $2 million due to Medicare changes. For FY83, the Medicaid savings are estimated at $153 million as a result of AFDC changes, $176 million as a result of SSI changes, and $25 million as a result of Medicare changes.

Medicaid Regulatory Initiative

Family Supplementation.—The Administration proposes to permit States which have laws requiring family supplementation for welfare services to apply these requirements to adult children of institutionalized Medicaid recipients. The Administration estimates that this proposal would reduce Federal outlays by $29 million in FY83.

Maternal and Child Health Legislative Proposal

Services for Women, Infants, and Children (SWIC) block grant.—For FY83, the Administration proposes that Federal categorical funding for the special and commodity supplemental food programs for women, infants and children, estimated at $984 million for FY82, be terminated. In its place the Administration is proposing that $652.5 million be added to funding for the Maternal and Child Health (MCH) block grant program. Currently funded at an estimated $347.5 million, this MCH block grant program would be renamed Services for Women, Infants and Children (SWIC). The proposed block grant would provide for a total funding level of $1 billion for FY83 to be distributed to States for comprehensive health services for mothers and children. The legislation proposal would be within the jurisdiction of the Senate Agriculture Committee.

Chart 13

(dollars in billions)

	FY 1982	FY 1983
Revenue sharing		
Present law	$4.6	$4.6
Interest		
(Committee decisions on deficit and debt limit determine estimate)	99.1	112.5

Chart 13

Revenue Sharing; Interest on the Public Debt

GENERAL REVENUE SHARING

General revenue sharing has been a central part of the Federal Government's efforts to assist State and local governments. In 1980, Congress approved legislation to extend this program through September 30, 1983. Under the program, provision is made for outlays in each of the fiscal years 1981, 1982, and 1983 of $4.6 billion. This amount is distributed to local governments, and represents a reduction of $2.3 billion from the level of funding during the previous entitlement period. The reduction is the result of the elimination of the States from the program on an entitlement basis. Since the inception of this program, total payments of approximately $61 billion have been made to local and State governments, covering calendar years 1972 through 1981 and ending with the September 1981 payment.

In extending general revenue sharing through 1983 Congress authorized payments to State governments in fiscal year 1982 and fiscal year 1983 only if Congress appropriated funds for such payments. In addition, such payments would be contingent on the recipient State government forgoing or returning to the Treasury an equivalent dollar amount in other Federal categorical grant funds. Any State that elected to make this tradeoff would be limited to the amount of revenue sharing funds for which it would be eligible under the existing formula for distributing revenue sharing funds to State governments. The Reagan administration requested no appropriation for a State share in fiscal year 1982, and has indicated no intention to request such an appropriation for fiscal year 1983.

Under the federalism initiative proposed by the Reagan administration, beginning in fiscal year 1984 the general revenue sharing program would be one of approximately 40 programs to be turned over to the States over the period 1984 to 1987. Under this proposal, a new $28 billion trust fund would be created. Funding for this trust fund would come from the existing alcohol, tobacco, and telephone excise taxes, 2 cents per gallon of the gasoline tax, and a portion of the oil windfall profit tax. During this 1984–1987 period States could receive their share of this fund on a revenue-sharing basis or they could use their share to reimburse the Federal Government for continuing the grant

programs. In 1988, the separate grant programs would cease to exist at the Federal level. The trust fund and the Federal excise taxes that support it would be phased out over the following 4 years.

This proposal has no budgetary impact in fiscal year 1983.

INTEREST ON THE PUBLIC DEBT

Budget outlays for interest on the public debt are estimated in the Reagan administration budget for fiscal year 1983 to rise from $115.7 billion in fiscal year 1982 to a level of $132.9 billion in fiscal year 1983. These projected increases result from the financing of budget deficits from each of these years and from Federal borrowing to finance off-budget Federal entities. In addition, the increase projected for fiscal year 1983 reflects a $0.3 billion saving anticipated by the Reagan administration as a result of a proposed modification of the savings bond program. Under legislation proposed by the Treasury Department, a new interest rate would be established for savings bonds held at least 5 years. The rate would be 85 percent of the average market yield on 5-year Treasury securities during the holding period, and also would apply to outstanding bonds if held another 5 years.

Net outlays for interest on the public debt, as identified in chart 13, reflect offsetting payments from the Federal Financing Bank and interest charges by Treasury to Federal agencies and the public. The net outlays for interest on the public debt amount to $99.1 billion in fiscal year 1982 and $112.5 billion in fiscal year 1983. When the committee has completed its decisions on revenues, expenditures, and the budget deficits, the appropriate interest figures can be calculated.

It should be noted that the budget assumes that interest rates will decline as the rate of inflation falls. The interest outlay estimate therefore assumes that the 91-day bill rate will decline gradually from an average of 14.0 percent in 1981 to an average of about 11.7 percent in 1982 and 10.5 percent in 1983.

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Chart 14

Revenues: Present Law

(dollars in billions)

	FY 1982	FY 1983
Individual income tax	$298.5	$301.0
Corporation income tax	46.7	56.2
Social insurance taxes	206.5	223.6
Excise taxes	42.9	40.5
Estate and gift taxes	7.2	5.9
Customs duties and other receipts	24.8	26.2
Total	626.5	653.3

Chart 14

Revenues: Present Law

Federal revenues are in large part composed of receipts from income and payroll taxes. The administration budget estimates that in fiscal year 1982 these revenues together with receipts from excise taxes, estate and gift taxes and other revenue sources will yield a total of $626.5 billion under present law. For fiscal year 1983, the administration budget projects a revenue yield of $653.3 billion under present law.

Income taxes paid by individuals are estimated to amount to $301.0 billion for fiscal year 1983. Revenues from this source, the largest single source of Federal revenue, will amount to 46 percent of total Federal revenue.

Income taxes paid by corporations are estimated at $56.2 billion for fiscal year 1983.

Social insurance taxes and contributions, composed of social security and other payroll taxes, unemployment insurance taxes and deposits, Federal employee retirement contributions, and premium payments for supplementary medical insurance, are expected to total $223.6 billion. Receipts from these sources in fiscal year 1983 will account for approximately 34.2 percent of the total Federal revenues.

Excise taxes imposed on selected commodities, services, and activities including crude oil production are expected to provide $40.5 billion during fiscal year 1983.

Estate and gift taxes imposed on the value of property held at death and on inter vivos transfers of property are projected to produce $5.9 billion during fiscal year 1983.

Customs duties, levied on imports, and other taxes and miscellaneous receipts (such as deposits of earnings by the Federal Reserve System) are expected to total $26.2 billion for fiscal year 1983.

Chart 15

REVENUES: PROPOSED LEGISLATION*

(dollars in billions)

Administration proposals:	FY 1982	FY 1983	FY 1984
Completed contract method of accounting	----	+3.3	+5.0
Business energy tax credits	----	+0.1	+0.4
Tax-exempt revenue bonds	----	-0.2	+0.3
Modified coinsurance	----	+1.1	+2.2
Construction period interest and taxes	----	+0.5	+1.1
Corporate minimum tax	----	+2.3	+4.6
Withholding on interest and dividends	----	+2.0	+1.3
Acceleration of corporate tax payments	----	+1.4	+1.7
Internal Revenue Service staff increases**	+0.2	+2.1	+2.4
Enterprise zones	----	----	-0.1
Airport and airway trust fund	+0.1	+1.2	+1.4
Railroad retirement	----	-1.7	-1.8
Federal employee hospital insurance taxes	----	+0.6	+0.8
Other	***	+0.1	+0.1
Total	+0.1	+12.6	+19.1

* These estimates are based on direct effect only of legislative changes at a given level of economic activity. In addition, rounding may cause totals to vary.

** These estimates represent gross increases in Federal revenues. The Administration estimates that there will be annual related costs of $0.2 billion.

*** Less than $50 million.

Chart 15

Revenue: Proposed Legislation

ADMINISTRATION PROPOSALS

A. Substantive tax law changes

The Administration has proposed a variety of changes to the tax code designed to eliminate tax abuses and to remove obsolete tax incentives. These changes, which are described briefly below, result in a small increase in Federal revenues during fiscal year 1982 and will substantially increase Federal revenues during fiscal year 1983 and subsequent years.

Completed contract method of accounting.—Current regulations allow contractors to defer tax on income from long-term contracts until the year the contract is completed although income is received throughout the term of the contract and certain costs are deducted when incurred. Effective January 1, 1983, the administration has proposed to eliminate the completed contract method of accounting. Taxpayers would be required to account for income and deductions on long-term contracts by either the percentage of completion method or the progress payment method of accounting. The percentage of completion method permits current deductions for allowable costs but requires that income be reported according to the percentage of the contract completed in the tax year. The progress payment method defers the deduction of costs until payment is received. The administration estimates that this proposal will increase revenues by $3.3 billion in fiscal year 1983.

Business energy tax credits.—Businesses are currently allowed additional investment tax credits for energy saving equipment and structures. Some energy tax credits expire at the end of 1982, but others extend through 1985 and beyond. Effective January 1, 1983, the Administration has proposed to repeal all business energy tax subsidies and special tax provisions that allow States and localities to issue tax-exempt industrial development bonds to finance certain energy property. This proposal is estimated by the Administration to increase revenues in fiscal year 1983 by $0.1 billion.

Tax-exempt revenue bonds for private activities.—States and localities are currently permitted to issue tax-exempt revenue bonds for industrial development, housing, and other specific purposes. The Administration has proposed to require that assets financed with tax-exempt revenue bonds issued after 1982 be depreciated using the straight-line method over an extended recovery period. Tax-exempt

revenue bond financing would be limited to bonds that are publicly approved by local governments and that, after 1985, receive a financial contribution, commitment, or obligation from the local government. In addition, small issue industrial development bonds would not be allowed for large businesses. The Administration estimates that this proposal will reduce revenues by $0.2 billion in fiscal year 1983, but will increase revenue in later years.

Modified coinsurance.—Current tax accounting rules permit insurance companies to enter into certain reinsurance agreements referred to as modified coinsurance resulting in a reduction in their tax liability. The Administration has proposed to eliminate the unintended tax benefits resulting from the use of modified coinsurance arrangements. In addition, the tax treatment of other forms of coinsurance would be changed to prevent insurance companies from obtaining similar benefits through other provisions of the law. The proposal is estimated by the Administration to increase revenues by $1.1 billion in fiscal year 1983.

Capitalization of construction period interest and taxes.—Currently, individual taxpayers must amortize over 10 years interest and taxes incurred during the construction of commercial buildings. The amortization period for rental housing is 8 years, but is scheduled to become 10 years by 1984. Corporations are allowed an immediate writeoff of these costs. The Administration has proposed to require construction period interest and taxes incurred by corporations to develop nonresidential real property after December 31, 1982 be amortized over 10 years. This proposal is estimated by the Administration to increase revenues in fiscal year 1982 by $0.5 billion.

Corporate minimum tax.—Corporations must currently pay a minimum tax, in addition to regular income tax, equal to 15 percent of certain tax preferences. This minimum tax may apply to any corporation that has reduced its tax liability through the use of designated tax preferences. Effective January 1, 1983, the Administration has proposed to replace the corporate minimum tax with an alternative minimum tax that would apply only to those corporations that pay little or no regular income tax. Corporations would be required to pay the greater of the regular income tax or an alternative tax equal to 15 percent of their alternative tax base in excess of $50,000. This alternative base would consist of regular taxable income plus certain tax preferences. The investment tax credit would not be allowed against the alternative tax. The Administration estimates this proposal will increase revenues by $2.3 billion in fiscal year 1983.

Other tax code changes.—The Administration intends to propose technical changes to close other tax loopholes.

B. IMPROVED TAX COLLECTION AND ENFORCEMENT

The Administration has also made several proposals which would ensure that taxes due the Government are paid and collected on a more timely basis.

Withholding on interest and dividends.—Currently no tax is withheld on interest and dividends paid to domestic taxpayers, although taxes are withheld on wages. Effective January 1, 1983, the Administration has proposed to require the withholding of 5 percent of payments of taxable interest and dividends paid to domestic taxpayers. In certain cases, withholding would also be extended to U.S. Government securities. Corporations and nontaxable individuals filing exemption certificates would be exempt from withholding. Taxpayers aged 65 or older with a tax liability of $500 ($1,000 on a joint return) or less would also be exempt. The Administration estimates this proposal will increase revenues in fiscal year 1983 by $2.0 billion.

Acceleration of corporate income tax payments.—Corporations are generally required to pay at least 80 percent of their current year's tax liability in estimated payments. The remaining tax liability is payable in two equal installments due after the close of their taxable year. An exception to these rules permits corporations to base their estimated tax payments on the full amount of their prior year's tax liability. For large corporations, the estimated payments must be at least 65 percent of their current year's tax liability (75 percent in 1983 and 80 percent thereafter). The Administration has proposed, for tax years beginning after 1982, to increase the required estimated tax payment from 80 percent to 90 percent of the current year's tax liability and to require that all remaining tax liability be paid in one payment after the close of the tax year. In addition, large corporations making estimated tax payments based on their prior year's tax liability would be required to pay at least 85 percent of their current year's tax liability in 1985 and 90 percent thereafter. The Administration estimates that this proposal will increase revenues by $1.4 billion in fiscal year 1983.

Internal Revenue Services staff increase.—The Administration has proposed to increase the Internal Revenue Service enforcement staff by more than 5,000 persons. This proposal is estimated by the Administration to increase Federal revenues in fiscal years 1982 and 1983 by $0.2 billion and $2.1 billion, respectively.

Other collection and enforcement provisions.—The Administration will propose additional measures to facilitate Internal Revenue Service collection and enforcement effort, which may affect Federal revenues in fiscal years 1982 and 1983.

C. User Fees

The Administration has proposed a variety of legislation to recover the cost of direct and indirect services provided by the Federal Government to identifiable groups of business and private users. The proposals would increase or institute 15 categories of such fees. A few examples are briefly described below. For budget purposes, the Administration has classified most of these fees as proprietary receipts and has offset the expected savings against outlays in certain specific Federal agencies. The Finance Committee will have jurisdiction over any fee recovery proposal that can be classified as a tax.

Coast Guard user fees.—The Administration has proposed to assess fees on commercial and recreational boating to recover certain direct and indirect services provided by the Coast Guard. This proposal would recover 25 percent of the cost of direct and indirect services provided by the Coast Guard in 1982 and 100 percent by the end of 1983.

Corps of Engineers navigation user fees.—Beginning in 1982, the Administration has proposed to increase fees paid by commercial vessels using the inland waterways and the deep draft channels and harbors.

D. Other Administration Proposals

The Administration has indicated additional areas in which it will propose legislation affecting Federal revenue receipts in fiscal year 1983.

Enterprise zone tax incentives.—Under current law, no special tax incentives are provided for the redevelopment of depressed areas. The Administration has proposed that beginning January 1, 1984, up to 25 small urban areas per year (not to exceed 75 in total) may be designated as "enterprise zones." Special tax incentives and relief from regulation, designed to increase investment and employment, would be provided for businesses and individuals locating in these areas. These incentives, which would be applicable for 20 years, are estimated by the Administration to have no effect on Federal revenues in fiscal year 1983.

Federalism initiative.—The Administration has proposed a federalism initiative which provides for the eventual transfer of revenue sources to States and localities as they assume responsibility for programs that are now administered and funded by the Federal Government. During the first phase of this initiative (1984–1987), some existing excise taxes would be dedicated to a special fund. This fund would be used to continue interim financing of the programs selected to be returned to the States and localities, or would provide payments to the States equal to the cost of these programs. The choice would be made by the States. The establishment of this fund is estimated by the Administration to have no effect on Federal revenues.

Airport and Airway Trust Fund taxes.—Statutory authority for the airport and airway trust fund expired on September 30, 1980. Since then, revenue from a 5-percent passenger ticket tax has been deposited in the general fund. The only other aviation taxes currently being levied, a 4 cents per gallon tax on general aviation gasoline and a tire tax and tube tax, are deposited in the highway trust fund. The Administration has proposed to reinstate statutory authority for the airport and airway trust fund effective July 1, 1982. The general aviation gasoline tax would be increased to 12 cents per gallon on July 1, 1982, to 14 cents per gallon on October 1, 1983, and would increase 2 cents per gallon annually thereafter to 20 cents per gallon on October 1, 1986. The general aviation jet fuel tax would be reinstated at 14 cents per gallon on July 1, 1982 and would increase 2 cents per gallon annually thereafter to 22 cents per gallon on October 1, 1986. The Administration proposal would increase the passenger ticket tax to 8 percent on July 1, 1982. A 5-percent freight waybill tax and a $3.00 international departure tax also have been proposed. The Administration estimates these taxes will increase revenues by $0.1 billion in fiscal year 1982 and $1.2 billion in fiscal year 1983.

Extension of Highway Trust Fund taxes.—Under current law, the 4 cents per gallon tax on gasoline and diesel fuels will decline to 1.5 cents per gallon on October 1, 1984. Several other taxes that are deposited in the highway trust fund will be reduced or expire at the same time. The Administration has proposed to extend these taxes at their present rates. The Administration estimates that this proposal will have no effect on Federal revenues in fiscal years 1982 and 1983.

Change in railroad retirement system.—The railroad retirement system, which is currently administered by the Federal Railroad Retirement Board, provides coverage generally equivalent to a combination of social security and a multiemployer industry pension plan. Railroad employees and employers make contributions to railroad retirement that are generally equivalent to social security payroll taxes. Beginning October 1, 1982, the Administration has proposed to extend full social security coverage to railroad workers through payroll taxes. The Administration has also proposed to return the rail industry's retirement plan to the private sector. The Administration estimates this proposal will reduce Federal revenues by $1.7 billion in fiscal year 1983.

Extension of social security hospital insurance taxes to Federal employees.—Most Federal civilian employees are currently exempt from social security taxes. The Administration has proposed to require Federal employees to pay the employee portion of social security hospital insurance tax (1.3 percent in 1983 and 1984). This proposal would be effective January 1, 1983, and is estimated by the Administration to increase Federal revenues by $0.6 billion in 1983.

OTHER PROPOSALS

Both the Administration and several members of the committee have indicated interest in a variety of additional tax proposals which would have their initial impact on revenues in fiscal year 1982 and 1983. Among these proposals are modification of the safe harbor leasing provision of the Economic Recovery Tax Act of 1981, a broad-based alternative corporate and individual minimum tax, relaxation of limitations on the availability of installment payments for estate taxes, reform of the tax laws to improve compliance, tuition tax credits, and the tax-exempt status of private schools. Some committee members have indicated interest in either advancing or delaying the effective dates of the second and third individual rate reductions enacted in the Economic Recovery Tax Act. Committee members have also expressed an interest in expanding savings and investment incentives, and imposing additional excise taxes or increasing existing excise taxes.

The committee may also wish to consider extending certain tax credits and tax-exempt interest provisions which expire at the end of 1982, including the targeted jobs credit, the business energy tax credits, the All Savers Certificates and certain rules concerning employer educational assistance programs which expire at the end of 1983.

During the first session of the 97th Congress, the Finance Committee recommended and the Senate approved legislation which would delay until Jan. 1, 1983, the effective date of the LIFO recapture provision of the Crude Oil Windfall Profit Tax Act of 1980. Although both the Senate and the House passed legislation as part of H.R. 4717 that would defer the effective date of the LIFO recapture provision, other provisions of H.R. 4717 must be resolved in Conference. Since H.R. 4717 has not been enacted the LIFO recapture provision of the Crude Oil Windfall Profit Tax Act of 1980 became effective on January 1, 1982. If H.R. 4717 is enacted it is estimated that the deferral of the LIFO recapture provision will reduce Federal revenues by $0.015 billion in fiscal year 1982 and by $0.260 billion in fiscal year 1983.

It is estimated that the enactment of the Senate passed version of H.R. 4717 would reduce Federal revenues in fiscal years 1982 and 1983 by $0.051 billion and $0.317 billion, respectively.

The committee may also consider a variety of other proposals affecting individual and corporate taxation.

Allowance for minor income tax and tariff bills.—The budget resolutions set an overall floor on revenues, and this floor is, after the second resolution, enforceable by points of order. While this procedure is intended to provide budgetary control over major revenue changes, it also applies to bills which have only a very minor revenue impact

but may be important for other reasons such as tariff bills or bills designed to correct inequities in the treatment of taxpayers.

In order to avoid unduly restricting the flexibility of the Senate to consider such measures, the committee has in the past recommended that an allowance of $0.1 billion for minor tax and tariff legislation be incorporated into whatever revenue levels are established in the budget resolution.

Chart 16

Tax Expenditures: Present Law

(dollars in billions)

	FY 1982	FY 1983
Commerce and housing credit	$99.0	$101.0
Income security	53.5	58.0
General purpose fiscal assistance	28.3	30.3
Education, training, employment, and social services	13.5	13.5
Health	21.3	22.7
Energy	7.8	8.2
International affairs	2.5	2.8
Other tax expenditures	7.8	7.2
Total	233.7	243.7

Chart 16

Tax Expenditures: Present Law

The concept of tax expenditures was developed in order to compare the Federal Government's outlays to the budgetary impact of various deductions, deferrals, and credits in the tax structure. It was intended that, with this information, consideration of the budget might involve examination of both direct and tax expenditures as alternate means of providing incentives.

The Budget Act defines a tax expenditure as the revenue loss arising from special exemptions, exclusions, or deductions from gross income, a special credit, a preferential rate of tax, or a deferral of tax. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

This definition of "tax expenditure" is imprecise. The imprecision in definition, as well as a possible implication that the Government owns all income, has resulted in substantial controversy. Because of the difficulty of achieving precision, the staff approach has been to be as comprehensive as is reasonable in deciding whether a provision should be included as a tax expenditure item, and has included all items listed as tax expenditures by the Administration. A listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or judgment about the effectiveness, of any provision. A listing simply reflects present law and, by implication, present public policy.

The chart presents a summary of tax expenditures by budget functional category and estimates of their revenue effects. The table containing the estimates presented by the Administration as a special analysis in the 1983 budget is reproduced in appendix C.

If the various tax expenditures figures in the two columns were added they would total $233.7 billion in fiscal year 1982 and $243.7 billion in fiscal year 1983. However, simple addition of the separate items, even in functional categories, may not accurately reflect revenue loss. The revenue estimates are made with the assumption that only one item was repealed. If two or more changes were made at the same time, there could be interaction effects. For example, an affected taxpayer could be forced into a higher tax bracket than if only one change were made. Thus, the combined revenue impact would be different from the sum of the separate revenue estimates. Furthermore, some taxpayers have the choice of using other tax expenditures if they want to reduce their tax liability. Other taxpayers would be required to pay higher taxes, absent existence of a tax expenditure provision. These possibilities are not reflected by a simple totaling of separate items.

Chart 17

Debt Limit

(dollars in billions)

Temporary debt limit through Sept. 30, 1982	$1,079.8
Reagan administration estimate of debt subject to limit Sept. 30, 1982	1,130.0
Plus:	
Federal funds deficit for FY 1983	106.9
Off-budget agency spending financed by Treasury	15.7
Other financing	1.7
Equals:	
Debt subject to limit Sept. 30, 1983	1,254.3

Chart 17

Debt Limit

Under existing law, the debt limit is $1,079.8 billion until September 30, 1982. The temporary limit expires on September 30, 1982. In the absence of further legislation, the debt ceiling would decline on that date to its permanent level of $400 billion. The Reagan Administration estimates that legislation will be needed to change the limit on the public debt before that time.

For fiscal year 1983 the Reagan Administration assumes that the debt subject to limit would reach $1,254.3 billion on September 30, 1983. Underlying those estimates are the legislative proposals to reduce the Federal deficit outlined in the fiscal year 1983 budget proposed by the Administration and reductions in borrowing by off-budget Federal entities. The economic assumptions set forth in the fiscal year 1983 budget also determine the estimates of the debt subject to limit.

The fiscal year 1983 needs as estimated by the Administration include issue of debt by the Federal Financing Bank under the debt limit on behalf of various agency programs and several agencies whose activities are not included in the budget totals. In general, trust fund surpluses are invested in Government securities and therefore do not serve to reduce the debt subject to limit even though they do reduce the unified budget deficit.

APPENDIX A

Committee on Finance 1981 Report to the Budget Committee With Respect to Fiscal Year 1982

88-424 O - 82 - 7

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., March 18, 1981.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter transmits the views and estimates of the Committee on Finance on those aspects of the Federal budget for fiscal year 1982 that fall within the Committee's jurisdiction as is required by section 301(c) of the Congressional Budget Act of 1974.

Economic assumptions.—Many of the components which make up the budget totals are highly sensitive to relatively slight changes in economic conditions. The economic assumptions underlying the budget are presented on pages 12–13 of President Reagan's fiscal year 1982 budget revisions. For purposes of the first concurrent resolution on the budget, the Finance Committee accepted these assumptions.

While the President's economic assumptions have been used as a basis for estimating revenues, unemployment compensation, social security benefits and other programs under Finance Committee jurisdiction, we recognize that there are alternative economic assumptions which might reasonably be supported. If the Budget Committee decides to adopt a different set of economic assumptions, an appropriate adjustment should be made in the revenue and outlays estimates. (We are also attaching Senator Bradley's views on the Administration's economic assumptions.)

TABLE 1.—FINANCE COMMITTEE RECOMMENDATIONS CONCERNING BUDGET AUTHORITY AND OUTLAYS UNDER COMMITTEE JURISDICTION: FISCAL YEAR 1982

[In billions of dollars]

Functional category	Budget authority	Outlays
450 Community and regional development	0.1	0.1
500 Education, training, employment, and social services	3.6	3.6
New legislation	−.8	−.8
550 Health	76.1	67.0
New legislation	−2.0	−2.0
600 Income security [1]	194.1	199.4
New legislation	−2.8	−6.5
850 General purpose fiscal assistance	4.8	4.8
900 Interest	98.7	98.7

[1] Assumes adoption of a hardship block grant at a $1.4 billion level in lieu of low income energy assistance.

Expenditure programs.—The Committee on Finance has jurisdiction over a variety of programs which involve expenditures. These include such income maintenance programs as social security, supplemental security income, unemployment compensation, and welfare programs for families. Health programs under Finance Committee jurisdiction include Medicare, Medicaid, and maternal and child health, as well as national health insurance proposals. Other programs, within the committee's jurisdiction which involve the expenditure of Federal funds include social services and revenue sharing. Interest on the public debt, which on a gross basis will account for some $98.7 billion in Federal outlays during the coming fiscal year, also falls under the jurisdiction of the Committee on Finance.

The Committee on Finance has reviewed each of the expenditure programs within its jurisdiction and estimates that the amounts shown in Table 1 should be allowed in the concurrent budget resolution for these programs. The overall total is consistent with that proposed by the President, but the committee anticipates that in many instances it may attempt to achieve that goal in different programs or through proposals different from those indicated in the President's budget.

Education, training, employment, and social services.—In this category, there are several programs under the jurisdiction of the Committee on Finance including the general social services program under title XX of the Social Security Act, the child welfare services program, and the work incentive program (WIN) for employable recipients of aid to families with dependent children. The committee recommends that the Congressional budget for fiscal year 1982 assume that net outlay reductions totalling $0.8 billion will be achieved in this function.

Health.—The Committee on Finance has jurisdiction over the Medicare, Medicaid, and maternal and child health programs. The Committee recommends that the congressional budget for fiscal year 1982 assume that net outlay reductions totalling $2.0 billion will be achieved in the health function.

Income security.—In the income security function of the budget, the Committee on Finance has jurisdiction over the basic national social insurance and public assistance programs. The major programs involved are old-age, survivors, and disability insurance, supplemental security income for the aged, blind, and disabled, aid to families with dependent children, and unemployment compensation. Under the revised budget conventions adopted in 1978 the refundable aspects of tax credits are now treated as expenditure items. As a result, the income security category estimates now include the refundable part of the earned income tax credit. The committee recommends that the

congressional budget for fiscal year 1982 assume that net outlay reductions of $6.5 billion will be achieved in the income security function.

General purpose fiscal assistance.—This function of the budget includes general revenue sharing, and other items such as payments to Puerto Rico of amounts equal to certain tax collections. The general revenue sharing program last year was extended through fiscal year 1983. The committee recommended that $4.8 billion be included in the fiscal year 1982 budget for this function.

Interest.—The interest function in the budget includes interest on the public debt, interest payments on certain tax refunds, and certain offsetting interest receipts. The committee estimates that present law, as modified by legislative proposals of President Reagan not within this committee's jurisdiction, will involve gross interest payments of $98.7 billion and net interest payments of $82.5 billion.

TABLE 2.—FISCAL YEAR 1982 FINANCE COMMITTEE REVENUE PAYMENTS RECOMMENDATIONS

	Billions
Present law	$701.6
Allowance for legislation (net)	−51.4
Present law and legislation	650.2

Revenues.—The different types of Federal revenues include individual and corporate income taxes, social insurance taxes, excise taxes, estate and gift taxes, and customs duties. For purposes of this report, all Federal receipts have been treated as revenues; those receipts in the President's budget which do not fall within the Finance Committee's jurisdiction have been accepted without change.

The President's revised budget for fiscal year 1982 estimates total revenues of $650.3 billion. The Committee on Finance recommends that a $650.2 billion overall revenue total be adopted for purposes of the first concurrent budget resolution. This recommendation contemplates a $51.4 billion net reduction in revenues from current law. The committee has not endorsed any particular tax reduction proposal and may enact a smaller tax cut if spending reduction goals are not met.

The revenue estimate of the Finance Committee includes an allowance to cover minor tax and tariff legislation. The committee notes that setting a budget resolution revenue total at exactly the level of expected revenues could result in an unfortunate procedural barrier to the consideration of minor tax and tariff bills which have only negligible revenue implications. While such bills have essentially no budgetary impact, they are technically inconsistent with the budget resolution (and after the second budget resolution may be subject to a point of order). To deal with this situation, the Committee on Finance

strongly recommends that the revenue total in the budget resolution be set at a level $0.1 billion below the level of revenues otherwise anticipated.

Budget deficit.—Table 3 shows the overall budgetary impact of the recommendations of the Committee on Finance concerning the fiscal year 1982 Congressional budget resolution.

TABLE 3.—BUDGETARY IMPACT OF FINANCE COMMITTEE RECOMMENDATIONS

[In billions of dollars]

	Revenues	Outlays	Deficit
Present law [1]	701.6	729.7	28.6
Finance Committee recommendations	650.2	695.3	45.1

[1] Outlays based on the February 18, 1981 "Current Policy" base.

Public debt limit.—The permanent debt limit under existing law is $400 billion. In addition, there is a temporary debt limit in effect which brings the overall limit to $985 billion. This temporary limit expires on September 30, 1981, and in the absence of further legislation the debt ceiling would decline to the $400 billion permanent level. The projected deficit for fiscal year 1982 will increase the debt subject to limit to a level of $1,071.2 billion on the basis of the President's budget. The Budget Committee may find it necessary to adjust the debt limit estimates to take account of any other appropriate adjustments to the estimates in the budget for programs not within the jurisdiction of the Committee on Finance.

TABLE 4.—PUBLIC DEBT LIMIT ESTIMATES IN PRESIDENT'S BUDGET

	Billions
Estimated debt subject to limit as of Sept. 30, 1981	$987.4
Plus:	
Federal funds deficit for fiscal year 1982	66.7
Off-budget agency spending financed by Treasury and other financing	17.1
Equals: Debt subject to limit as of Sept. 30, 1982	1,071.2

Tax expenditures.—The Congressional Budget Act of 1974 defines "tax expenditures" as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." In the committee's view,

the question of whether a given revenue provision represents a special or a normal application of tax policy is one which in many instances cannot be objectively resolved. For this reason, the committee feels that the only way in which it can comply with the Budget Act's requirement that it present its estimates with respect to tax expenditures is by listing all items which have been so designated in the President's budget. In doing so, however, the committee does not either endorse or reject the contention that any or all of these items designated as tax expenditures represent a departure from normal tax policy.

For the reason stated above, the Finance Committee simply transmits as its report the tax expenditure listing included in Special Analysis G of the President's budget.

Five-year budgetary outlook.—The magnitude and timing of savings or expenditures which may result from changes in the law to be recommended by the committee during the upcoming session of the Congress will depend heavily on the exact nature of each specific legislative change. This result is arrived at only after the entire process of substantive consideration by the committee and the Congress. Moreover, the budgetary estimates presented in this letter are net amounts which the committee may ultimately achieve through a combination of legislative changes involving both increased costs in some cases and cost reductions in others. For example, in both the health and income security categories there are a number of proposals which the committee may be asked to consider for program changes which would involve increased costs.

Similarly, the revenue goal for the coming fiscal year is a net figure whose detailed composition and future year impact can be determined only after the committee has completed the legislative consideration of various competing proposals. In future years as in past years, it may be anticipated that revenue goals will be established which vary from year to year depending upon the changing economic needs and conditions of the country.

The committee recognizes that the Congressional Budget Act requires the Budget Committees to undertake an analysis of the five-year budgetary outlook and include projections in their reports on the budget resolution. This is a useful and appropriate element in Congressional consideration of broad budgetary perspectives. However, for the reasons cited above, the committee believes that an attempt by substantive committees to provide detailed projections of the likely impact of legislative changes on future fiscal years would be a highly speculative exercise if done prior to actual legislative consideration. The committee does recognize the importance of future year budgetary impact projections and believes that the Budget Act and the Standing Rules

of the Senate properly impose on substantive committees the obligation to make such projects when they have completed legislative consideration and are reporting a measure to the Senate.

To assist the Budget Committee in carrying out its responsibilities for long-range projections, I am enclosing a copy of Finance Committee Print 97–3 which includes present law projections of certain trust fund programs (see pages 16 and 52–53). Present law revenue projections appear in President Reagan's Budget Revisions on page 123.

The Finance Committee staff is available to answer any additional questions you may have on these estimates.

Sincerely yours,

BOB DOLE, *Chairman.*

APPENDIX B

Excerpt From Public Law 93-344—The Congressional Budget and Impoundment Control Act of 1974

TITLE III—CONGRESSIONAL BUDGET PROCESS

TIMETABLE

31 USC 1321.

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
November 10	President submits current services budget.
15th day after Congress meets	President submits his budget.
March 15	Committees and joint committees submit reports to Budget Committees.
April 1	Congressional Budget Office submits report to Budget Committees.
April 15	Budget Committees report first concurrent resolution on the budget to their Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 15	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15	Congress completes action on second required concurrent resolution on the budget.
September 25	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1	Fiscal year begins.

ADOPTION OF FIRST CONCURRENT RESOLUTION

31 USC 1322.

SEC. 301. (a) ACTION TO BE COMPLETED BY MAY 15.—On or before May 15 of each year, the Congress shall complete action on the first concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth—

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(1) the appropriate level of total budget outlays and of total new budget authority;

(2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions, based on allocations of the appropriate level of total budget outlays and of total new budget authority;

(3) the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;

(4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and

(6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The first concurrent resolution on the budget may also require—

(1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent resolution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution, or both; and

(2) any other procedure which is considered appropriate to carry out the purposes of this Act.

Not later than the close of the Ninety-fifth Congress, the Committee on the Budget of each House shall report to its House on the implementation of procedures described in this subsection. Report to Congress.

(c) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses— Submittal to congressional committees.

(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses, its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House or Senate may submit to the Committee on the Budget of its House, and any other joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within its jurisdiction or functions. 60 Stat. 23. 15 USC 1021 note.

(d) HEARINGS AND REPORT.—In developing the first concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable. On or before April 15 of each year, the Committee on the Budget of each House shall report to its House the first concurrent resolution on the budget referred to in subsection (a) for the fiscal year beginning on October 1 of such year. The report accompanying such concurrent resolution shall include, but not be limited to— Concurrent resolution, development. Report to Congress. Contents.

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, as set forth in such concurrent resolution, with total budget outlays estimated and total new budget authority requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and alternative economic assumptions and objectives which the committee considered;

(6) projections, not limited to the following, for the period of five fiscal years beginning with such fiscal year of the estimated levels of total budget outlays, total new budget outlays, total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for each fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments; and

(8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution, and the relationship of such matters to other budget categories.

MATTERS TO BE INCLUDED IN JOINT STATEMENT OF MANAGERS; REPORTS BY COMMITTEES

31 USC 1323.

SEC. 302. (a) ALLOCATION OF TOTALS.—The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays and total new budget authority among each committee of the House of Representatives and the Senate which has jurisdiction over bills and resolutions providing such new budget authority.

Subdivisions.

(b) REPORTS BY COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays and new budget authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection. Congressional committees' report of subdivisions.

(c) SUBSEQUENT CONCURRENT RESOLUTIONS.—In the case of a concurrent resolution on the budget referred to in section 304 or 310, the allocation under subsection (a) and the subdivisions under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

FIRST CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR CHANGES IN REVENUES OR PUBLIC DEBT LIMIT IS CONSIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) which provides— 31 USC 1324.

(1) new budget authority for a fiscal year;

(2) an increase or decrease in revenues to become effective during a fiscal year;

(3) an increase or decrease in the public debt limit to become effective during a fiscal year; or

(4) new spending authority described in section 401(c)(2)(C) to become effective during a fiscal year;

until the first concurrent resolution on the budget for such year has been agreed to pursuant to section 301.

(b) EXCEPTIONS.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution to which subsection (a) applies may at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar. Resolution referral. Report to Senate.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion Debate, time limitation.

or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to the bill or resolution to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS OF THE BUDGET

31 USC 1325.

SEC. 304. At any time after the first concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises the concurrent resolution on the budget for such fiscal year most recently agreed to.

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

31 USC 1326.

SEC. 305. (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House has reported any concurrent resolution on the budget, it is in order at any time after the tenth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution has been available to Members of the House (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

Debate, time limitation.

(2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be read for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(4) Debate in the House of Representatives on the conference report or any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to. Debate, time limitation.

(5) Motions to postpone, made with respect to the consideration of any concurrent resolution on the budget, and motions to proceed to the consideration of other business, shall be decided without debate.

(6) Appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees. Debate, time limitation.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(4) Notwithstanding any other rule, an amendment, or series of amendments, to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) ACTION ON CONFERENCE REPORTS IN THE SENATE.—

(1) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third day (excluding Saturdays, Sundays, and legal holidays) following the day on which such a conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

Debate, time limitation.

(2) During the consideration in the Senate on the conference report on any concurrent resolution on the budget, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

Conference report, submittal to Congress.

(d) REQUIRED ACTION BY CONFERENCE COMMITTEE.—If, at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution. 31 USC 1327.

HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BEFORE FIRST APPROPRIATION BILL IS REPORTED

SEC. 307. Prior to reporting the first regular appropriation bill for each fiscal year, the Committee on Appropriations of the House of Representatives shall, to the extent practicable, complete subcommittee markup and full committee action on all regular appropriation bills for that year and submit to the House a summary report comparing the committee's recommendations with the appropriate levels of budget outlays and new budget authority as set forth in the most recently agreed to concurrent resolution on the budget for that year. 31 USC 1328. Summary report, submittal to House.

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY OR TAX EXPENDITURES.—Whenever a committee of either House reports a bill or resolution to its House providing new budget authority (other than continuing appropriations) or new or increased tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, prepared after consultation with the Director of the Congressional Budget Office, detailing— 31 USC 1329. Contents.

(1) in the case of a bill or resolution providing new budget authority—

(A) how the new budget authority provided in that bill or resolution compares with the new budget authority set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of budget outlays, associated with the budget authority provided in that bill or resolution, in each fiscal year in such period; and

(C) the new budget authority, and budget outlays resulting therefrom, provided by that bill or resolution for financial assistance to State and local governments; and

(2) in the case of a bill or resolution providing new or increased tax expenditures—

(A) how the new or increased tax expenditures provided in that bill or resolution will affect the levels of tax expenditures under existing law as set forth in the report accompanying the first concurrent resolution on the budget for such fiscal year, or, if a report accompanying a subsequently agreed to concurrent resolution for such year sets forth such levels, then as set forth in that report; and

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of the tax expenditures which will result from that bill or resolution in each fiscal year in such period.

No projection shall be required for a fiscal year under paragraph (1)(B) or (2)(B) if the committee determines that a projection for that fiscal year is impracticable and states in its report the reason for such impracticability.

(b) UP-TO-DATE TABULATION OF CONGRESSIONAL BUDGET ACTIONS.—The Director of the Congressional Budget Office shall issue periodic reports detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority and changing revenues and the public debt limit for a fiscal year. Such reports shall include, but are not limited to—

Periodic reports.

Contents.

(1) an up-to-date tabulation comparing the new budget authority for such fiscal year in bills and resolutions on which Congress has completed action and estimated outlays, associated with such new budget authority, during such fiscal year to the new budget authority and estimated outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(2) an up-to-date status report on all bills and resolutions providing new budget authority and changing revenues and the public debt limit for such fiscal year in both Houses;

(3) an up-to-date comparison of the appropriate level of revenues contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of revenues for such year (including new revenues anticipated during such year under bills and resolutions on which the Congress has completed action); and

(4) an up-to-date comparison of the appropriate level of the public debt contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of the public debt during such fiscal year.

Report.

(c) FIVE-YEAR PROJECTION OF CONGRESSIONAL BUDGET ACTION.—As soon as practicable after the beginning of each fiscal year, the Director of the Congressional Budget Office shall issue a report projecting for the period of 5 fiscal years beginning with such fiscal year—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period; and

(3) tax expenditures for each fiscal year in such period.

COMPLETION OF ACTION ON BILLS PROVIDING NEW BUDGET AUTHORITY AND CERTAIN NEW SPENDING AUTHORITY

31 USC 1330.

SEC. 309. Except as otherwise provided pursuant to this title, not later than the seventh day after Labor Day of each year, the Congress shall complete action on all bills and resolutions—

(1) providing new budget authority for the fiscal year beginning on October 1 of such year, other than supplemental, deficiency, and continuing appropriation bills and resolutions, and other than the reconciliation bill for such year, if required to be reported under section 310(c); and

(2) providing new spending authority described in section 401(c)(2)(C) which is to become effective during such fiscal year.

Paragraph (1) shall not apply to any bill or resolution if legislation authorizing the enactment of new budget authority to be provided in such bill or resolution has not been timely enacted.

SECOND REQUIRED CONCURRENT RESOLUTION AND RECONCILIATION PROCESS

SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—The Committee on the Budget of each House shall report to its House a concurrent resolution on the budget which reaffirms or revises the concurrent resolution on the budget most recently agreed to with respect to the fiscal year beginning on October 1 of such year. Any such concurrent resolution on the budget shall also, to the extent necessary— 31 USC 1331.

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years; and

(C) new spending authority described in section 401(c)(2)(C) which is to become effective during such fiscal year,

contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amount by which the statutory limit on the public debt is to be changed and direct the committees having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

Any such concurrent resolution may be reported, and the report accompanying it may be filed, in either House notwithstanding that that House is not in session on the day on which such concurrent resolution is reported. Filing.

(b) COMPLETION OF ACTION ON CONCURRENT RESOLUTION.—Not later than September 15 of each year, the Congress shall complete action on the concurrent resolution on the budget referred to in subsection (a).

(c) RECONCILIATION PROCESS.—If a concurrent resolution is agreed to in accordance with subsection (a) containing directions to one or more committees to determine and recommend changes in laws, bills, or resolutions, and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House a reconciliation bill or reconciliation resolution, or both, containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations, whether such changes are to be contained in a reconciliation bill or reconciliation resolution, and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a reconciliation bill or reconciliation resolution, or both, carrying out all such recommendations without any substantive revision.

Reconciliation resolution. For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(d) COMPLETION OF RECONCILIATION PROCESS.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (c) not later than September 25 of each year.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills and reconciliation resolutions reported under subsection (c) and conference reports thereon.

Debate, time limitation. (2) Debate in the Senate on any reconciliation bill or resolution reported under subsection (c), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) CONGRESS MAY NOT ADJOURN UNTIL ACTION IS COMPLETED.—It shall not be in order in either the House of Representatives or the Senate to consider any resolution providing for the adjournment sine die of either House unless action has been completed on the concurrent resolution on the budget required to be reported under subsection (a) for the fiscal year beginning on October 1 of such year, and, if a reconciliation bill or resolution, or both, is required to be reported under subsection (c) for such fiscal year, unless the Congress has completed action on that bill or resolution, or both.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

31 USC 1332. SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—After the Congress has completed action on the concurrent resolution on the budget required to be reported under section 310(a) for a fiscal year, and, if a reconciliation bill or resolution, or both, for such fiscal year are required to be reported under section 310(c), after that bill has been enacted into law or that resolution has been agreed to, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing additional new budget authority for such fiscal year, providing new spending authority described in section 401(c)(2)(C) to become effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report;

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of revenues set forth in such concurrent resolution.

(b) DETERMINATION OF OUTLAYS AND REVENUES.—For purposes of subsection (a), the budget outlays to be made during a fiscal year and revenues to be received during a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) LEGISLATION PROVIDING CONTRACT OR BORROWING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, or amendment also provides that such new spending authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts. 31 USC 1351.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day on which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar. Referral to Appropriations Committee. Discharge from consideration. Placement on calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution. Committee jurisdiction.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this section, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under the Second Liberty Bond Act) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts; and 40 Stat. 288. 31 USC 774.

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

49 Stat. 620.
42 USC 1305.

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

68A Stat. 3.
26 USC 1 et seq.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

86 Stat. 919.
31 USC 1221 note.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act; or

59 Stat. 600;
87 Stat. 1005.
31 USC 856.
59 Stat. 597;
86 Stat. 1274.
31 USC 846.

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

REPORTING OF AUTHORIZING LEGISLATION

31 USC 1352.

SEC. 402. (a) REQUIRED REPORTING DATE.—Except as otherwise provided in this section, it shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which, directly or indirectly, authorizes the enactment of new budget authority for a fiscal year, unless that bill or resolution is reported in the House or the Senate, as the case may be, on or before May 15 preceding the beginning of such fiscal year.

(b) EMERGENCY WAIVER IN THE HOUSE.—If the Committee on Rules of the House of Representatives determines that emergency conditions require a waiver of subsection (a) with respect to any bill or resolution, such committee may report, and the House may consider and adopt, a resolution waiving the application of subsection (a) in the case of such bill or resolution.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution may, at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate, within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

Referral to Budget Committee.

Report to Senate.

Discharge from consideration.

Placement on calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and the minority leader or their designees, and the time on any debatable motion or appeal shall be limited to 20 minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

Debate, time limitation.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to that bill or resolution referred to in the resolution.

(d) CERTAIN BILLS AND RESOLUTIONS RECEIVED FROM OTHER HOUSE.—Notwithstanding the provisions of subsection (a), if under that subsection it is in order in the House of Representatives to consider a bill or resolution of the House, then it shall be in order to consider a companion or similar bill or resolution of the Senate; and if under that subsection it is in order in the Senate to consider a bill or resolution of the Senate, then it shall be in order to consider a companion or similar bill of the House of Representatives.

(e) EXCEPTIONS.—

(1) Subsection (a) shall not apply with respect to new spending authority described in section 401(c)(2)(C).

(2) Subsection (a) shall not apply with respect to new budget authority authorized in a bill or resolution for any provision of the Social Security Act if such bill or resolution also provides new spending authority described in section 401(c)(2)(C) which, under section 401(d)(1)(A), is excluded from the application of section 401(b).

(f) STUDY OF EXISTING SPENDING AUTHORITY AND PERMANENT APPROPRIATIONS.—The Committees on Appropriations of the House of Representatives and the Senate shall study on a continuing basis those provisions of law, in effect on the effective date of this section, which provide spending authority or permanent budget authority. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

Report to Congress.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

31 USC 1353.

SEC. 403. The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

Submittal to congressional committees.

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate; and

(2) a comparison of the estimate of costs described in paragraph (1) with any available estimate of costs made by such committee or by any Federal agency.

The estimate and comparison so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (c) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

Post, p. 322.

"(c) The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2) (A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

* * * * * * *

EXERCISE OF RULEMAKING POWERS

SEC. 904. (a) The provisions of this title (except section 905) and of titles I, III, and IV and the provisions of sections 606, 701, 703, and 1017 are enacted by the Congress— 31 USC 1301 note.

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

(b) Any provision of title III or IV may be waived or suspended in the Senate by a majority vote of the Members voting, a quorum being present, or by the unanimous consent of the Senate. Waiver. Ante, pp. 306, 317.

(c) Appeals in the Senate from the decisions of the Chair relating to any provision of title III or IV or section 1017 shall, except as otherwise provided therein, be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, concurrent resolution, reconciliation bill, or rescission bill, as the case may be. Appeals.

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APPENDIX C

Tax Expenditures by Function
(Excerpt From Special Analyses G of the Budget of the United States, pages 34–36)

Table G–2. REVENUE LOSS ESTIMATES FOR "TAX EXPENDITURES" BY FUNCTION

(In millions of dollars)

Description	Fiscal years		
	1981	1982	1983
National defense:			
Exclusion of benefits and allowances to Armed Forces personnel	1,735	1,885	1,940
Exclusion of military disability pensions	155	165	170
International affairs:			
Exclusion of income earned abroad by United States citizens	610	985	1,285
Deferral of income of domestic international sales corporations (DISC)	1,595	1,465	1,490
General science, space, and technology:			
Expensing of research and development expenditures	1,550	380	−810
Credit for increasing research activities	15	405	580
Energy:			
Expensing of exploration and development costs:			
Oil and gas	3,525	4,065	4,530
Other fuels	25	25	30
Excess of percentage over cost depletion:			
Oil and gas	1,865	1,965	1,695
Other fuels	380	380	425
Capital gains treatment of royalties on coal	100	105	95
Exclusion of interest on State and local government industrial development bonds for certain energy facilities	*	5	15
Residential energy credits:			
Supply incentives	150	205	260
Conservation incentives	425	415	410
Alternative, conservation and new technology credits:			
Supply incentives	180	235	290
Conservation incentives	220	285	315
Alternative fuel production credit	25	55	50
Alcohol fuel credit [1]	5	20	35
Energy credit for intercity buses	5	5	5
Natural resources and environment:			
Expensing of exploration and development costs, nonfuel minerals	45	50	55
Excess of percentage over cost depletion, nonfuel minerals	385	405	440
Exclusion of interest on State and local government pollution control bonds	715	835	970
Tax incentives for preservation of historic structures	60	80	75
Capital gains treatment of iron ore	20	20	20
Capital gains treatment of certain timber income	585	600	615
Investment credit and seven-year amortization for reforestation expenditures	5	10	15
Agriculture:			
Expensing of certain capital outlays	525	545	560
Capital gains treatment of certain income	425	460	375
Commerce and housing credit:			
Dividend and interest exclusion	1,335	2,185	475
Exclusion of interest on State and local industrial development bonds	1,200	1,650	2,185
Exemption of credit union income	−25	5	40
Excess bad debt reserves of financial institutions	325	250	515
Exclusion of interest on life insurance savings	4,060	4,535	4,805
Deductibility of interest on consumer credit	8,675	9,285	9,355
Deductibility of mortgage interest on owner-occupied homes	20,145	23,030	25,490
Deductibility of property tax on owner-occupied homes	9,125	10,065	10,635
Exclusion of interest on State and local housing bonds for owner-occupied housing	685	920	1,245
Expensing of construction period interest and taxes	755	745	645
Capital gains (other than agriculture, timber, iron ore and coal)	17,965	18,315	14,390
Deferral of capital gains on home sales	1,160	1,070	1,200

Table G–2. REVENUE LOSS ESTIMATES FOR "TAX EXPENDITURES" BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal years		
	1981	1982	1983
Exclusion of capital gains on home sales for persons age 55 and over	450	415	465
Carryover basis of capital gains at death	2,070	2,190	2,135
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	19,445	20,035	20,150
Safe harbor leasing rules	*	3,560	3,945
Amortization of start-up costs	20	75	120
Exclusion of interest on certain savings certificates	.....	515	2,820
Reinvestment of dividends in public utility stock	*	130	365
Transportation:			
Deferral of tax on shipping companies	70	65	85
Exclusion of interest on State and local government industrial development bonds for mass transit	.....	*	5
Community and regional development:			
Five-year amortization for housing rehabilitation	30	45	55
Investment credit for rehabilitation of structures	220	255	300
Education, training, employment, and social services:			
Exclusion of interest on State and local student loan bonds	60	100	155
Parental personal exemption for students age 19 or over	1,045	995	900
Exclusion of employee meals and lodging (other than military)	620	655	680
Employer educational assistance	35	40	40
Exclusion of contributions to prepaid legal services plans	20	20	25
Investment credit for ESOP's	975	1,005	1,095
Deductibility of charitable contributions (education)	925	895	925
Deductibility of charitable contributions, other than education and health	8,485	8,345	8,085
Credit for child and dependent care expenses	935	1,120	1,465
Credit for employment of AFDC recipients and public assistance recipients under work incentive programs	70	45	*
General jobs credit	300	65	5
Targeted jobs credit	305	235	75
Health:			
Exclusion of employer contributions for medical insurance premiums and medical care	14,050	15,330	16,380
Deductibility of medical expenses	3,615	3,925	4,175
Exclusion of interest on State and local hospital bonds	560	680	810
Deductibility of charitable contributions (health)	1,390	1,360	1,345
Income security:			
Exclusion of social security benefits:			
Disability insurance benefits	860	915	910
OASI benefits for retired workers	8,845	9,980	10,525
Benefits for dependents and survivors	1,735	1,915	1,970
Exclusion of railroad retirement system benefits	365	380	370
Exclusion of workmen's compensation benefits	2,730	3,100	3,495
Exclusion of special benefits for disabled coal miners	90	95	90
Exclusion of untaxed unemployment insurance benefits	1,985	2,060	2,710
Exclusion of disability pay	170	155	145
Net exclusion of pension contributions and earnings:			
Employer plans	23,390	25,765	27,500
Plans for self-employed and others	2,170	2,560	3,760
Exclusion of other employee benefits:			
Premiums on group term life insurance	1,840	1,900	1,895
Premiums on accident and disability insurance	100	100	100
Income of trusts to finance supplementary unemployment benefits	15	20	20
Additional exemption for the blind	30	30	30
Additional exemption for elderly	2,250	2,355	2,370
Tax credit for the elderly	130	135	135

Table G–2. REVENUE LOSS ESTIMATES FOR "TAX EXPENDITURES" BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal years		
	1981	1982	1983
Deductibility of casualty losses	775	800	850
Earned income credit [3]	610	555	495
Exclusion of interest on State and local housing bonds for rental housing	435	485	535
Deduction for motor carrier operating rights	*	140	75
Deduction for certain adoption expenses	10	10	10
Veterans benefits and services:			
Exclusion of veterans disability compensation	1,255	1,360	1,380
Exclusion of veterans pensions	95	85	90
Exclusion of GI bill benefits	200	175	145
General government:			
Credits and deductions for political contributions	100	80	80
General purpose fiscal assistance:			
Exclusion of interest on general purpose State and local debt	5,855	6,685	7,505
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	19,085	20,395	21,530
Tax credit for corporations receiving income from doing business in United States possessions	1,120	1,200	1,285
Interest:			
Deferral of interest on savings bonds	−270	−80	50

*$5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $55 million in 1981, $55 million in 1982, and $55 million in 1983.

[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays is: 1981, $1,320 million; 1982, $1,255 million; 1983, $1,180 million.